June 14, 2021

Re: Public Statement: Public Input Welcomed on Climate Change Disclosures, Acting Chair Allison Herren Lee, March 15, 2021.

Chair Gensler,

We are writing on behalf of Amalgamated Bank , a wholly-owned subsidiary of Amalgamated Financial Corp. (AMAL). Based in New York and founded in 1923, by the Amalgamated Clothing Workers of America. Amalgamated Bank has roughly $6 billion in assets. We remain approximately 40% union-owned. Through our Institutional Asset Management and Custody Division, Amalgamated Bank is one of the leading providers of investment and trust services to Taft-Hartley plans in the United States with $16 Billion in Assets Under Management and $53 Billion in Assets Under Custody. As America's socially responsible bank, we have grown to support millions of people, organizations, causes and businesses committed to improving the world we live in. Nonprofits, labor unions, advocacy groups, socially responsible businesses and others sharing a vision of positive change have all found a home in our community.

Most of our assets under management are held in bank collective investment funds, which are together known as the LongView Funds. As Trustee of the LongView Funds we have been engaging portfolio companies on climate alignment, diversity and workplace equity for many years. Serving these investors and our clients, Amalgamated Bank has led efforts within the banking sector to develop standardized approaches to measure and disclose financed emissions through the Partnership for Carbon Accounting Financials (PCAF) and have committed to the Science Based Targets Initiative (SBTi), the United Nations Convened Principles for Responsible Banking and Net Zero Banking Alliance.

Collectively, our experience is that the risks of climate change and inequity are interconnected, real, and have been inadequately dealt with for too long, presenting systemic risks for clients and investors. The Commission is to be applauded for undertaking rules to establish mandatory climate, environmental, social and governance risk disclosures, and should move quickly to propose, adopt, implement, and enforce detailed disclosure requirements for all issuers.

**Climate Change Poses Systemic Risks**

We encourage the SEC to advance rules that facilitate the disclosure of consistent, comparable, and reliable information on climate change. Current federal securities laws are based on the enduring principle that regulation of the capital markets is necessary to avoid deep market fluctuations, which may produce extensive unemployment and the dislocation of trade, transportation, and industry. The laws also seek to promote accurate and complete disclosure of material risks to investors. We encourage the SEC to view climate change and other ESG factors through this same lens when approaching how to develop disclosure frameworks and the critical measures that are needed.

Given the physical and transition risks inherent to the ongoing climate crisis and the shift away from fossil fuels and carbon-intensive activities, investors need more information about companies' growing climate financial risk, their contribution to climate change, and their plans for remaining viable in a low-carbon future economy. Investors are thus reasonably seeking information that allows them to better assess the climate risks and opportunities of individual issuers. Beyond individual issuer risk and opportunity, most exposure by investors is passive, or part of a broad market exposure with the principal mitigant of risk being diversity of exposure. Comprehensive Climate and ESG disclosures have the benefit of helping investors and other stakeholders assess systemic risk in the system. Specifically, even if a fund is divested of fossil fuel stocks, mitigating issuer transition risk, it is important to understand at a systemic level the risks posed from societal inequity or climate emissions that could destabilize markets more broadly.

We believe climate change is not just an environmental crisis, but also one of social justice, wealth distribution, equity and human rights. It is vitally important that disclosures from issuers include elements of environmental and climate justice, as well as other ESG issues such as diversity, equity and inclusion and human capital management practices to allow investors to make a full assessment of an issuer's overall sustainability and make more informed investment decisions.

Mandating such climate and ESG disclosures falls squarely within the SEC's mission to protect investors; ensure fair, orderly, and efficient markets; and facilitate capital formation.[1]

The Current ESG Disclosure Landscape is Inconsistent and Opaque

This year, Amalgamated Bank launched a new product set of ESG-focused collective investment funds (the "Responsifunds"), which rely on third party data providers to both replicate our own credit policy value proposition and provide clients with a range of options for putting their investment thesis to work. These products range across asset classes and markets, and without question the greatest challenge in meeting investment objectives is limited and inconsistent data, often provided through third party data providers. The disorganized market of ESG data is now reaching the level of creating chaos and distrust in the capital market.

In addition, through our LongView funds we have engaged with companies across our client portfolios on issues from climate risk to workplace equity and slavery in the supply chain. A consistent finding of this engagement is that current systems of disclosure do not represent accurately company performance on many topics.

Despite most issuers reporting some level of ESG data, the 2010 SEC climate disclosure guidance[2] has not satisfied the needs of investors because it essentially allows firms to self-determine and report which climate risks they deem material. Commercial data providers significantly report on the existence of a disclosure or a policy held by a company but do not report on the output of that company and its performance on key ESG metrics. Issuers consistently provide only vague, boilerplate disclosures or do not address climate risk at all.[3] Management is often overly optimistic about a firm's climate resilience, may not fully understand what investors actually believe is material or want to know, and may have an interest in obscuring parts of the picture, leading to drastic under-reporting of risks. The International Organization of Securities Commissions (IOSCO) recently found that investor demand for sustainability-related information is currently not being properly met.[4]

From our own experience as a publicly-listed company, we consistently find errors and inconsistencies in the third-party reports that are issued regarding our own efforts in the

[1] https://www.sec.gov/about/reports/sec-fy2014-agency-mission-information.pdf
[2] https://www.sec.gov/rules/interp/2010/33-9106.pdf
[3] https://climatedisclosurelab.duke.edu/wp-content/uploads/2020/10/Climate-Risk-Disclosures-and-Practices.pdf
[4] https://www.iosco.org/news/pdf/IOSCONEWS594.pdf

climate space. We have invested significant resources in meeting the requirements of data providers who can ask the same question in different ways or require the same information be presented in various formats. The disorganization of asks is not only a significant burden on the company but more importantly it leads to outputs that obscure the information that may be most useful to stakeholders or create confusion about the reliability of the information.

Amalgamated Bank is working to follow the guidance of the Task Force on Climate-Related Financial Disclosures (TCFD), the Sustainability Accounting Standards Board (SASB), the Partnership for Carbon Accounting Financials (PCAF), the United Nations Principles for Responsible Banking, and the Carbon Disclosure Project (CDP). But the proliferation of differing frameworks has increased compliance complexities and costs for us and, we assume, many other companies. We agree with the widely-held position from both investors and issuers that the information provided under voluntary frameworks is not adequate for a variety of reasons,[5] including:

- The lack of comparability among issuers using the same framework,
- The omission of material disclosures - or even whole areas of material disclosures - from a framework's requirements,
- The ability for firms to "shop" around for the framework and disclosures that cast them in a favorable light, and
- The massive amount of incongruent sustainability data that makes it hard to form an accurate picture of a firm's performance and risk management.

To meet investor and issuer needs, the SEC must move swiftly to finalize mandatory disclosure rules for climate risk; stewardship of a just and equitable transition to a low carbon economy; human capital management; and racial and economic justice factors. These requirements will mitigate untenable growth of climate and ESG risk within our markets that harm investors, spur the improper allocation of capital, and may increase the cost of capital for U.S. companies.

[5] See, e.g., https://assets.bbhub.io/company/sites/60/2020/09/2020-TCFD_Status-Report.pdf

**We support the following mandatory disclosures:**

**Environmental**

- **Emissions Disclosure:** Require audited, tabular disclosure of a company's estimated greenhouse gas (GHG) emissions based on the GHG Protocol's well-accepted framework for measuring and reporting GHG emissions, including both direct and indirect emissions and the percentage of carbon, methane, and other gases. Specifically we believe this is important to be applied to all financial sectors based on the work of The Partnership for Carbon Accounting Financials (PCAF), a collaboration of 118 financial institutions with assets over USD $38 trillion. PCAF has created The Global GHG Accounting and Reporting Standard for the Financial Industry. The Standard provides financial institutions with a first-ever global, consistent, and robust methodology for calculating and disclosing financed emissions (i.e., emissions driven by loans and investments). Future iterations of the Standard will include methodologies for measuring and disclosing the facilitated emissions of capital markets activities, emissions removals and sovereign debt. The draft guidance from TCFD currently under stakeholder review recommends full scope 1,2 and 3 emissions reporting for financial firms and suggests PCAF as the optimal approach for such an assessment.

- **TCFD:** Incorporate the 11 recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) into Regulation S-K.

- **Governance and Strategy:** Disclosure rules should provide insights into companies' climate risk exposure, strategies, and scenario planning. In line with TCFD recommendations, the Commission should consider enhanced disclosure of board oversight of climate risk based on best practice.

- **Metrics and Targets:** Require audited disclosure of alignment with science-based scenarios for climate stabilization, and of progress on announced science-based targets and other corporate climate commitments, in the form of clear, periodic updates on the status of and progress towards meeting those commitments.

- **Capital Expenditures:** Amend Regulation S-X to require companies to disclose a breakdown of capital expenditures in a note to their financial statements to show the portion of investments attributable to addressing (a) transition risks and opportunities, and (b) adaptation to physical risks associated with climate change.

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- **Scenario based risk analysis:** The SEC should require disclosure of a net-zero scenario analysis that standardizes disclosure related to the parameters, assumptions, analytical choices, and impacts used in the analysis.

- **Industry metrics and guidance:** Update and expand its industry-specific disclosure requirements to incorporate material, industry-specific climate-related metrics. Some amendments to the SEC's existing industry-focused disclosure requirements can and should be made immediately.

- **Climate-related environmental risks:** Mandate disclosure on material climate-related environmental risks as part of a climate change disclosure rulemaking. Investors have expressed strong support for improved disclosure on climate-related risks including water, deforestation, food waste, and other agricultural waste and emissions.

## Human Capital Management

We also know that stronger human capital reporting, especially quantitative metrics rather than just qualitative narrative, is associated with higher returns on invested talent, higher operating margins and better risk-adjusted returns. Thus, these disclosures are critical to responsible and transparent investing principles. Specifically, we recommend that the SEC require disclosures in the following areas:

- A description of an issuer's policy towards human capital management; workers' rights and benefits; diversity, equity, and inclusion; employee engagement; anti-harassment, talent attraction, development, retention and continued education programs.
- All metrics measuring and reporting on fair pay, wages, and rates, across genders, races, and employment levels.
- Number of employees, average annual pay, average annual value of compensation and benefits, and average tenure for the following employee categories:
    a. Total
    b. CEO
    c. Senior executive level

d. Full-time
e. Part-time
f. Seasonal
g. Contract
h. Represented by a union.

Some of these aforementioned disclosures are already reported by U.S. companies as part of their EEO-1, but that information is not publicly disclosed. Exposing this information publicly would require minimal additional effort from organizations as the data is already collected, organized, and known. Additionally, this information should include reporting of, gender identity, age and racial identity.

- Information on employee benefits programs and policies including gender-specific benefits such as parental resources, paid medical, disability and parental leave, access to family planning, and reproductive resources.
- Reporting on mental and physical health policies, programs, benefits and resources available such as (EAP) Employee assistance programs.
- Full reporting on all anti-disability discrimination policies including policies on hiring, pay, promotion, termination and nature of reasonable accommodations that are provided to workers with disabilities to accommodate fair and reasonable access.
- Full disclosure of racial diversity across all levels of company hiring and employment and rates of promotions of diverse versus nondiverse employees. These factors are deep and relevant indicators of sustainability that investors increasingly incorporate into their investment decisions and shareholder engagement such as shareholder proposals.
- Disclosure of all non-discrimination and sexual harassment policies.
- Other principles-based human capital management disclosures such as qualitative discussions on workforce health and safety, skills and capabilities, culture, engagement and empowerment, human and labor rights, pay and incentives.
- Disclosure of all employee and vendor-related regulatory violations, fines, settlements, and work stoppages.
- Total recordable incident rate (TRIR), fatality rate, and near miss frequency rate for occupational health and safety exposure for direct employees, seasonal, and migrant workers.
- A description of what programs or initiatives the organization core or non-core to its business has participated in and in what capacity that contribute to community

development, career hiring and promotional practices, and how those programs impact marginalized communities with respect to racial and economic inequality.

* * *

All mandated disclosures should include both qualitative disclosures, such as the requirements in TCFD and specific, line-item, quantitative disclosures. To make this information easily accessible to investors, disclosures should be in specified sections of annual and quarterly SEC filings, and to the extent possible, should be included in the audited financial statements. To encourage honest assessment of risks, all disclosures should be subject to review by the Chief Financial Officer (CFO) and Audit Committee.

We appreciate the Chair's consideration of our comments.

Sincerely,

Cynthia Dalagelis

Cynthia Dalagelis
Senior Vice President, Director of ESG Investments

Ivan Frishberg
First Vice President, Director of Impact Policy