

June 17, 2022

VIA ELECTRONIC FILING

Vanessa Countryman, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-0609

Dear Ms. Countryman,

File No. S7-10-22 on The Enhancement and Standardization of Climate-Related Disclosures for Investors

I am writing in support of S7-10-22 on behalf of Amalgamated Financial Corp., (together with its subsidiary Amalgamated Bank, “we”, “our”, “us”).

Why we support mandated SEC Climate Disclosures and believe it is a prudent and necessary execution of its authority.

We view the unfolding crisis of climate change as a defining issue of how we navigate the future. Recent years have shown investors and the financial community the compounding power of intersecting crises and provided a clear example of how our economy and our world are becoming more turbulent and volatile.

We are founding members of the UN convened Net Zero Banking Alliance, the UN Principles on Responsible Banking, and the Partnership for Carbon Accounting Financials (PCAF). In 2021 we set climate targets as a company which have been approved by the Science-Based Targets Initiative (SBTi). In the last five years we have grown our financing of climate solutions to 32% of our loan and balance sheet investments.

Climate change is an unparalleled driver of volatility and extremes. The rapidly growing layer of heat-trapping gasses is condensing changes that once happened over millennia into mere decades, providing economies, markets, cultures and nature inadequate time to adapt.

We have currently reached the highest concentration of Carbon Dioxide emissions in more than 4 million years, a point at which sea levels were 15 to 80 feet higher than current levels.¹ For all human civilization we have existed at carbon pollution levels two-thirds of their current levels.

¹ [Carbon dioxide now more than 50% higher than pre-industrial levels | National Oceanic and Atmospheric Administration \(noaa.gov\)](https://www.noaa.gov/news/carbon-dioxide-now-more-than-50-percent-higher-than-pre-industrial-levels)

This change all happened over just two hundred years as humans and its newly powered economy put 1.5 trillion tons of Carbon Dioxide into a blanket covering our atmosphere.

While the Securities and Exchange Commission (SEC) does not have a role in regulating environmental matters or protecting the world from the catastrophic consequences of disrupted atmospheric systems, SEC does have a mandate to ensure that investors are protected, that markets are fair, orderly and efficient, and to facilitate capital formation. For this reason, we strongly support the SEC's proposal on climate-related disclosures and acknowledge the Commission's unique authority to address the issue of climate-related financial risk and its implications for investor protection and market efficiency.

The challenge currently beginning to be addressed by financial regulators, including the SEC with the proposed rules on climate disclosures, is how the financial system and economy can continue to efficiently and successfully operate as we experience the climate induced volatility, shocks and disruptions that are just getting started.

The frequency and financial toll of extreme weather events, consistent with the science of climate change, have just started an exponential growth spurt that is by all accounts just getting started. According to the scientists at the National Oceanic and Atmospheric Administration:

“The 14 separate U.S. billion-dollar disasters in 2019 represent the fourth highest total number of events (tied with 2018), following the years 2017 (16), 2011 (16) and 2016 (15). The most recent years of 2019, 2018 and 2017 have each produced more than a dozen billion-dollar disasters to impact the United States—totaling 44 events. This makes a 3-year average of 14.6 billion-dollar disaster events, well above the inflation-adjusted average of 6.5 events per year (1980-2019).”²

The Commodity Futures Trading Commission's Climate-Related Market Risk Subcommittee of the Market Risk Advisory Committee (MRAC) of the Commodity Futures Trading Commission was clear in its finding that “Climate change poses a major risk to the stability of the U.S. financial system and to its ability to sustain the American economy” and in calling for US financial regulators to recognize the what it called “emerging” risks and to move “urgently and decisively to measure, understand and address these risks”³

That prescription to “measure, understand and address” these risks is exactly what financial institutions have been doing for many years.

² [2010-2019: A landmark decade of U.S. billion-dollar weather and climate disasters | NOAA Climate.gov](#)

³ [CFTC's Climate-Related Market Risk Subcommittee Releases Report | CFTC](#)

- The Taskforce on Climate-related Financial Disclosures (TCFD) developed a framework for risk disclosures that has been supported by more than 3,000 companies with a market capitalization of \$27 trillion.⁴
- Voluntary data disclosures of material climate information are now provided by 13,000 companies globally with 64% of global market capitalization through the CDP disclosure system, and according to CDP, this information is requested and used by 680 financial institutions with \$130 trillion in assets.⁵
- The Partnership for Carbon Accounting Financials (PCAF) is now adopted as the accounting system to measure financed emissions by more than 270 firms with \$75 trillion in assets.⁶

Private sector firms covering every sector and continent are engaged in all this measurement, disclosure, and analysis as outlined in the SEC climate disclosure justifications, in the CFTC report and countless academic and industry studies because climate risk is clearly emerging as a significant and material risk to companies, investors, the economy and the financial system. Issuers recognize the need to measure and mitigate this risk as evidenced by significant voluntary uptake in the market, finding it material to investor interests and providing opportunities for competitive advantage. To argue otherwise is not only to ignore the science of climate change but also to ignore the market response thus far and the need for a more standard, uniform approach.

The need for consistent, comparable and reliable climate risk disclosures.

Currently, climate risk disclosures have relied on voluntary frameworks, and while as we have noted they are widely adopted, these disclosures are often grossly inconsistent even within sectors, or between companies ostensibly working from the same voluntary frameworks.

This presents significant limitations on and undermines investor ability to adequately assess risk and respond accordingly.

Consistent, comparable, and reliable disclosures on the material climate-related risks public companies face would serve both investors and capital markets.

We have been committed to advancing this comparability in the climate finance space for several years. We have taken a leadership role in the development of the PCAF standard and its ability to serve the industry for the precise purpose that it would do us and our investors no good to see climate disclosures from us that were not useful because they could not be understood against a common framework and approach. This is no different from the way financial reporting must adhere to specific practices and rules to ensure that information is reliable and consistent across companies.

⁴ [About | Task Force on Climate-Related Financial Disclosures \(TCFD\) \(fsb-tcfd.org\)](https://www.fsb-tcfd.org/)

⁵ [CDP-Media-Factsheet.pdf](#)

⁶ [PCAF: Enabling financial institutions to assess greenhouse gas emissions | PCAF \(carbonaccountingfinancials.com\)](https://www.carbonaccountingfinancials.com/)

We have published three years of our scope 3 financed emissions, starting in 2019. For 2021, this included our listed equities and fixed income assets under management. As a firm we track absolute emissions and emissions intensity across our lending and investment portfolios and understand where risks and opportunities present. We have done this work with modest cost to us, requiring some redirection of resources and modest consultant and data support. This work has not been cost prohibitive and builds on existing systems within the bank for reporting and disclosure.

We use our emissions analysis for portfolio analysis, providing the ability to manage targets, identify both high carbon assets or sectors that represent opportunities to support client emissions reductions and understand the value of new product opportunities. This information across all our emission scopes is important information for various stakeholders including investors, depository clients and many of the associations and certifications that allow us to represent ourselves to new and existing clients.

The most important value from our emissions disclosures and target setting work is the long-term planning and analysis where we operate under mainstream assumptions of a carbon constrained world. We have been able to map the impacts of clean energy policies in states where we operate to understand the impact it will have on the carbon profile of our portfolio. We have been able to set and manage to climate targets that we believe make us more prepared for the many changes, risks and uncertainties ahead of us.

Even as we operate under the PCAF standard, we see its limitations as a voluntary standard as firms make their own deviations from the standard and modify their accounting approaches⁷. The surest and most efficient way to deliver this information to investors is to include it in the mainstream filings of issuers.

We operate under the risk disclosure framework established by TCFD and we believe this framework is the right approach for issues across sectors and regions. We are pleased to see that the SEC has used the TCFD experience of issuers as the basis for its proposed rule. The provisions of the proposed rule relating to oversight and governance, the identification, assessing and managing climate-related risks, and metrics are all well-trodden ground for companies that are following the TCFD framework and naturally flow to the type of disclosures proposed.

The proposed rule has sparked significant conversation about the breadth of disclosures required, specifically on the topic of Scope 3 emissions reporting. Climate risks (physical, transition, policy, market), are principally systemic, and flow up and down the value chain. It's important for economy-wide consistency in disclosing these risks in comparable terms that can be understood outside the "fence line" of a single company but also consider its connection to the value chain. A manufacturing and engineering company that does not count the emissions from its products but only from its manufacturing process is not presenting the full picture of its exposure and the market risk that comes with it. For this reason, as fiduciaries for assets under management, we have engaged with multiple companies to focus company attention on these issues. In 2021, a shareholder resolution we sponsored with General Electric focused on their

⁷ [Three takeaways from banks' latest financed emissions disclosures \(climateriskreview.com\)](https://climateriskreview.com)

scope 3 emissions received 98%⁸ support among voting shareholders. A similar show of support on the same topic was recently expressed by investors in Caterpillar with a vote of 96%⁹.

As we have outlined, as an issuer we find utility and value in measuring and disclosing our financed emissions. As a fiduciary and investment manager we also find it important in the holdings that we manage and are well supported by other investors. Based on our experience and the experience of peers within the PCAF membership, we do not agree with claims made by some issuers that mandatory disclosures would cause competitive harm or impose overly burdensome costs.

Expanding the Scope 3 Disclosure Requirement Triggers

We understand that there are greater data challenges often associated with the data behind scope 3, but that does not mean it is less important or meaningful to investors. Indeed, the scope 1 and 2 emissions of the finance sector are negligible. Almost the only thing that matters is scope 3 category 15 financed emissions. A report from CDP found that the finance sector's scope three emissions were 700 times greater than their operational emissions.¹⁰

For this reason, we believe the proposal is too limited in the number of issuers covered in its scope 3 reporting requirements. Leaving the decision to issuers either as a result of a self-finding of materiality or in relation to a published target has several drawbacks. First, from our experience as an asset manager engaging with companies on this topic, there are a significant number of companies that will make the case for non-materiality when the consequence is avoiding disclosure, even when there is clear relevance to their business model and long-term performance in terms of both risk and opportunity. This non-material justification is often the first response when we are engaging companies but does not hold up to scrutiny. Over the last five years, in our role as an asset manager with \$57 billion under custody and management, we have engaged with more than a dozen companies with a total market capitalization of \$1.9 trillion. In every engagement we have had on this topic, companies have either agreed to emissions measurement and disclosure, pursued business changes responsive to risk or opportunities, or were subject to a vote from shareholders for measurement as in the cases cited above.

We agree with the Commission that companies making climate or clean energy commitments should be bound to consistent reporting on progress, including full scope emissions reporting. However, we believe that a company having a climate target as a trigger for scope 3 reporting will be a disincentive for target setting for some companies. As an early adopter of climate target setting, we have first-hand experience in the power of managing a business to a low carbon outcome. Each step of measurement, understanding pathways and options for strategy, evaluation and review is a strength of our company. It is however an involved undertaking requiring an enterprise approach and some resources.

⁸ [98% of Shareholders Want GE to Take Climate Action — As You Sow](#)

⁹ [96% of Caterpillar Shareholders Vote in Support of Climate Action — A Critical Development in Decarbonizing U.S. Industrials Sector — As You Sow](#)

¹⁰ [Finance sector's funded emissions over 700 times greater than its own - CDP](#)

Accordingly, we recommend that in addition to requiring an assessment and finding of materiality as a trigger for scope 3 emissions, or having established climate-related targets, the Commission should establish a threshold of scope 3 emissions being no more than 40 percent as an additional trigger for disclosure. This threshold is commonly accepted¹¹ as material in the context of target setting and will have the added advantage of encouraging companies to conduct internal assessments of ‘heat maps’ of full scope emissions to help assess materiality and focus for climate actions.

Conclusion

We greatly appreciate the diligent and comprehensive work done by the Commission in presenting these disclosure rules. Our economy is already facing a series of cascading shocks connected to our disrupted climate. With emissions concentrations, warming, and extreme weather events all on the rise it is imperative that companies and the financial system prepares itself to understand and manage these risks. The pace of US and global real economy policy is currently not adequate to avoid dangerous levels of warming. Globally it is estimated that current policies place us on track to increase global temperatures to between 2.5 and 2.9 degrees centigrade.¹² It is in this alarming and dangerous context that we offer our support for the proposed rule and encourage the Commission to consider the modest changes we have suggested and to move expeditiously to a final rule.



Ivan Frishberg
Chief Sustainability Officer

¹¹ [Scope 3 for Science Based Targets | Carbon Intelligence](#)

¹² [Despite Glasgow Climate Pact 2030 climate target updates have stalled | Climate Action Tracker](#)