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AMERICA'S UNIONS

American Federation of Labor and Congress of Industrial Organizations

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June 17, 2022

Vanessa A. Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

Re: The Enhancement and Standardization of Climate-Related Disclosures for Investors [Release Nos. 33-11042; 34-94478; File No: S7-10-22]

Dear Ms. Countryman:

On behalf of the American Federation of Labor and Congress of Industrial Organizations (the "AFL-CIO"), I am writing to provide comments to the U.S. Securities and Exchange Commission in response to the notice of proposed rulemaking on the Enhancement and Standardization of Climate-Related Disclosures for Investors [Release Nos. 33-11042; 34-94478; File No: S7-10-22]. The AFL-CIO is a federation of 57 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 employee benefit plans. We are pleased to support the Commission's proposed climate change disclosure rule that will provide investors with more comparable, consistent, and reliable information in a centralized location. We respectfully urge the Commission to enhance its proposed climate change disclosure rules by requiring disclosure regarding the impact of climate change on company workforces.

As the proposed rulemaking notes, the Commission has clear authority under the Securities Act of 1933 and the Securities and Exchange Act of 1934 to issue disclosure requirements that are "necessary or appropriate in the public interest or for the protection of investors."[1] As discussed below, disclosure of climate related risks and their impact on company workforces is in the public interest and necessary to protect investors. In recent years, many companies have voluntarily provided investors with supplemental disclosure on a variety of ESG issues including on climate change and information regarding their workforces. At least 90 percent of S&P 500 companies and 65 percent of Russell 1000 companies have issued corporate sustainability reports.[2] While this voluntary disclosure

[1] Section 7 of the Securities Act of 1933 (15 U.S.C. § 77g) and Sections 12, 13, and 15 of the Securities and Exchange Act of 1934 (15 U.S.C. §§ 78l, 78m, and 78o).
[2] 2020 Flash Report Russell 1000: Trends on the Sustainability Reporting Practices of the Russell 1000 Index Companies," Governance and Accountability Institute, Inc., 2020, *available at*

indicates that ESG information is material to investors, the lack of uniform disclosure rules makes it difficult for investors to locate and compare this information. Moreover, corporate sustainability reports are not filed with the Commission and therefore are not subject to enhanced liability under Section 18 of the 1934 Exchange Act.

Climate change poses similar if not greater risks to a company's human capital as to its physical capital. According to one estimate, 90 percent of the S&P 500 Index's market valuation is derived from intangible assets such as intellectual property and brand name goodwill, an increase from just 17 percent in 1975.[3] Human capital – the knowledge, skills, and experience of workers – is the primary source of these intangible assets. Accordingly, companies should be required to disclose climate change risks affecting the company's workforce, and what steps the company is taking to mitigate these risks. In addition, companies should be required to disclose whether and how they will provide a just transition for their workforces as part of their plans to address climate change.[4] We also urge the Commission to include all relevant workers who participate in the company's direct operations in any definition of a company's workforce, and not limit such disclosure to the workers that the company has recognized as its own employees.[5]

For example, climate change is expected to increase the frequency of hazardous heat exposure in a wide variety of outdoor and indoor work settings.[6] High worksite temperatures increase the likelihood of heat stroke and other heat related illness. Industries with a large degree of outdoor work include agriculture, construction, utilities, energy, logistics, transportation, and mining. Hazardous heat levels are not limited to outdoor occupations, but are also a significant risk in manufacturing, steelmaking, warehousing, laundering, kitchens, bakeries, and food processing. Companies whose workforces are likely to be exposed to higher worksite temperatures due to climate change should be required to disclose their assessment of these risks and how they plan to mitigate these risks such as through increased workforce training, rest breaks, hydration stations, modified scheduling, emergency planning, and access to shade and air conditioning.

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https://ga-institute.com/fileadmin/ga_institute/images/FlashReports/2020/Russell-1000/G&A-Russell-Report-2020-FINAL.pdf/.

[3] "Intangible Asset Market Value Study," Ocean Tomo, March 28, 2022, *available at* https://www.oceantomo.com/intangible-asset-market-value-study/.

[4] The United Nations' Paris Agreement on climate change calls on its signatories to take "into account the imperatives of a just transition of the workforce and the creation of decent work and quality jobs in accordance with nationally defined development priorities." Paris Agreement, United Nations, 2015, *available at* https://unfccc.int/sites/default/files/english_paris_agreement.pdf. *See also* "Supporting the Conditions for a Just Transition Internationally," UN Climate Change Conference, April 11, 2021, *available at* https://ukcop26.org/supporting-the-conditions-for-a-just-transition-internationally/.

[5] For example, the material workforce of a company may also include independent contractors, misclassified workers, freelancers, subcontracted workers, temporary workers, franchisee workers, and other contingent workers. *See* Elizabeth Shuler, et al., "Comment Letter on Rulemaking Petition to Require Issuers to Disclose Information About Their Human Capital Management Policies, Practices and Performance," January 18, 2022, *available at* https://www.sec.gov/comments/4-711/4711-20112177-265269.pdf.

[6] Katie Applebaum, et. al., "An Overview of Occupational Risks From Climate Change," Current Environmental Health Reports, volume 3, pages 13–22 (2016), *available at* https://onlinepublichealth.gwu.edu/resources/impact-of-climate-change-on-occupational-health/; Max Kiefer, et. al., "Climate Change and Occupational Safety and Health," Centers for Disease Control and Prevention, September 22, 2014, *available at* https://blogs.cdc.gov/niosh-science-blog/2014/09/22/climate-change/; Erick Bandala, et. al., "Assessing the Effect of Extreme Heat on Workforce Health in the Southwestern USA," International Journal of Environmental Science and Technology (2022), *available at* https://doi.org/10.1007/s13762-022-04180-1.

The climate change transition will also have a significant impact on the nature and types of jobs that workers perform in many industries.[7] Successful companies will preserve their human capital by retraining and redeploying their existing workforce into these new jobs. Investors are seeking information about how companies are planning to navigate their workforces through the economic and technological changes that climate change requires. For example, institutional investors representing $10.2 trillion in assets have endorsed the Statement of Investor Commitment to Support a Just Transition on Climate Change which says that the "responsible management of workforce and community dimensions of climate change are increasingly material drivers for value creation."[8] Companies that provide for a just transition for their workforce will be more likely to succeed in achieving sustainable financial performance.

In our view, the Commission should require at least as much disclosure regarding climate related risks to the company's workforce as is required for its physical assets. To ensure that investors can consider the impact of climate related risks on company workforces, we propose that the Commission add specific workforce disclosure requirements to Item 1501 (Governance), Item 1502 (Strategy, business model, and outlook), and Item 1503 (Risk management). For Item 1501, we recommend requiring disclosure of whether and how the workforce is consulted regarding the company's business plan to manage and respond to climate change. For Item 1502, we urge adding a section specifying disclosure of the impact of occupational health and safety climate related risks on the company workforce. For Item 1503, we suggest adding language requiring discussion of how the company's climate change transition plan will mitigate adverse impacts on the workforce including any changes to employment levels or compensation practices.

Requiring workforce-related climate disclosures will provide investors with material information that will enhance their investment and proxy voting decisions. Given the importance of human capital to company performance, it is hard to imagine effective climate change disclosure that does not encompass the company's workforce. The climate change transition should not require choosing between good jobs and green jobs or corporate profits and environmental sustainability. Rather, sustainable climate change business strategies must provide for a workforce just transition as the most effective way to maximize long-term financial performance. For these reasons, we support the Commission's proposed climate change disclosure rule and urge its further improvement by requiring disclosure of workforce related issues. If the AFL-CIO can be of further assistance, please contact me at [redacted].

Sincerely,

Brandon J. Rees
Deputy Director, Corporations and Capital Markets

[7] "Just Transition of the Workforce, and the Creation of Decent Work and Quality Jobs," United Nations, April 21, 2020, *available at* https://unfccc.int/sites/default/files/resource/Just%20transition.pdf; "Guidelines For A Just Transition Towards Environmentally Sustainable Economies And Societies For All," International Labour Organization, 2015, *available at* https://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/documents/publication/wcms_432859.pdf.

[8] "Statement of Investor Commitment to Support a Just Transition on Climate Change," UN Principles on Responsible Investment, 2020, https://www.unpri.org/download?ac=10382.