June 17, 2022

U.S. Securities and Exchange Commission
100 F Street, NE Washington DC 20549

Japanese Bankers Association

JBA comments on the SEC Proposed Rule: "*The Enhancement and Standardization of Climate-Related Disclosures for Investors*"

Dear Sirs/Madams:

The Japanese Bankers Association[1] (JBA) appreciates the opportunity to provide our comments on the Securities and Exchange Commission's (SEC) Proposed Rule: "*The Enhancement and Standardization of Climate-Related Disclosures for Investors*"[2] (hereafter "the Proposal") released on March 21, 2022.

Our member banks primarily consist of Japanese banks, and we understand that the SEC's proposed rules apply not only to domestic registrants, but also to foreign registrants that are required to file Form 20-F. If the proposed rules were to be implemented as currently drafted, we are concerned that it would have a significant impact on foreign registrants, including our member banks, that are subject to this requirement. In this context, we have provided the following comments in order to ask the SEC to further consider climate-related disclosure requirements that best achieve the goals of the Proposal, while also taking into account issues specific to foreign registrants, in order to avoid creating unnecessary challenges for disclosures by financial institutions.

General comments

In general, we welcome the SEC's initiative to develop enhanced and standardized climate-related disclosures in order to best advance investor protection and the public interest. Climate-related disclosure is a common global issue and several jurisdictions are developing or revising their climate-related disclosure regimes. As mentioned in our response[3] to the SEC's previous call for public input on climate change disclosure published on March 15, 2021[4], we believe that a globally harmonized framework is essential to avoid inconsistent outcomes across jurisdictions and address this global issue. We are pleased that the Proposal is based on globally accepted disclosure frameworks, such as the Task Force on Climate-Related Financial Disclosures ("TCFD") framework and the Greenhouse Gas Protocol, and the fact that the Proposal also emphasizes the importance of the International Sustainability Standards Board's ("ISSB") initiative to develop global climate-related disclosure standards.

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1 The Japanese Bankers Association is the leading trade association for banks, bank holding companies and bankers associations in Japan. As of June 17, 2022, JBA has 114 Full Members (banks), 3 Bank Holding Company Members (bank holding companies), 77 Associate Members (banks & bank holding companies), 58 Special Members (regionally-based bankers associations) and one Sub-Associate Member for a total of 253 members.

2 https://www.sec.gov/news/press-release/2022-46

3 https://www.zenginkyo.or.jp/fileadmin/res/abstract/opinion/opinion330611.pdf

4 https://www.sec.gov/news/public-statement/lee-climate-change-disclosures

We appreciate the SEC's efforts to improve comparability, consistency and reliability of climate-related disclosures and increase the availability of relevant data, which are important issues for financial institutions as users of such disclosures. It is clear that standardization of current fragmented and inconsistent disclosure practices will facilitate more efficient and effective disclosure. This is not only beneficial for investors and other market participants in terms of providing decision-useful information, but also contributes to more efficient practices for issuers.

From the perspective of issuers, however, especially for multinational companies and financial institutions listed on multiple stock exchanges in various jurisdictions, a number of challenges remain in the Proposal for issuers to achieve more effective and practical disclosure. If implemented as currently drafted, we are concerned that it will create an undue burden to comply with the different disclosure standards of multiple jurisdictions where the issuer is listed, which may even lead to confusion and hinder the objective of providing decision-useful information to stakeholders. We understand that the Proposal includes a number of features designed to mitigate compliance burdens and liability risk, but we would like the SEC to make further efforts to ensure consistency between the international frameworks and the SEC's disclosure rules to avoid such burdens.

i. Consistency with the ISSB and other global disclosure frameworks, Need for Substituted Compliance (Q3, Q183, Q189 and others)

We appreciate that the SEC based the Proposal on the framework of the TCFD recommendations, with a focus on governance, strategy, risk, and metrics and targets. This will help ensure that the SEC's rules are consistent and aligned with the global disclosure frameworks, considering that the ISSB exposure draft for climate-related disclosure requirements adopts a similar approach.

However, given that the Proposal would require not only domestic registrants but also foreign registrants to provide the climate-related information, we believe that the SEC should permit foreign registrants to satisfy the SEC's disclosure requirements through their home jurisdiction's climate-related disclosure framework, provided that such framework is consistent with the TCFD framework and thus broadly aligned with the SEC's final rules. This treatment for foreign registrants would reduce the undue compliance burden that multinational companies and financial institutions listed on multiple stock exchanges in various jurisdictions including the U.S. face due to inconsistent and redundant reporting obligations in each jurisdiction. At the same time, the SEC should continue to engage and coordinate with foreign securities regulators and international standard-setting bodies — including the ISSB, as further discussed below — to promote consistency in disclosure requirements across jurisdictions to the greatest extent possible. Investors are more likely to be confused, rather than usefully informed, by an overlapping and misaligned series of disclosure frameworks.

In addition, the SEC should consider ongoing efforts at the ISSB before finalizing its own rules. The ISSB issued exposure drafts of the International Financial Reporting Standards ("IFRS") rules that would establish a comprehensive global baseline for disclosure of sustainability-related financial information and climate-related disclosures on March 31, 2022. For global consistency, we would like the SEC to take into account the rulemaking processes/timeline at the ISSB to ensure that the SEC's rules are consistent and aligned with the IFRS standards that are being established through the ISSB's work.

ii. Compliance Date (Q197 and others)

In light of the data and other challenges associated with the Proposal, we would ask the SEC to consider providing a longer transition period for building the necessary capabilities at registrants that are required to make climate-related disclosures, in order to comply with the finalized rules. The Proposal would require large accelerated filers to disclose climate-related information from fiscal year 2023 in 2024, but we believe that the time frame for the required preparation is too short. Also, as mentioned above, the IFRS standards are currently under consideration at the ISSB, and it is expected that various jurisdictions will proceed with the development or the revision of their climate-related disclosure regimes based on the IFRS standards after those standards are established. For global consistency, the timeline for implementation of the SEC's final rules should also be aligned with the implementation of the IFRS standards in each jurisdiction after the finalization of those standards.

iii. Financial Statement Metrics (Q59, Q60, Q62, Q63 and others)

We believe that there are a number of challenges in disclosing detailed information in relation to the impact of climate-related risks in consolidated financial statements based on financial statement metrics, because it would be difficult to separate out quantitative information. The disclosure of financial impacts may change significantly depending on the scenarios used and adopted assumptions, which will not provide comparable information for investors. Furthermore, since financial impact is expected from multiple factors that cannot be clearly broken down in practice, including climate change and its side effects, and as it is difficult to identify the factors involved in climate change, the disclosure of the financial statement metrics of climate-related risks/opportunities should be voluntary. Even if disclosures are required, a certain amount of guidance should be provided since the recognition of climate-related risks/opportunities can be interpreted in various ways by registrants.

iv. GHG Emissions (Q96, Q105, Q114, Q115, Q116, Q118, Q122, Q132 and others)

(a) The unit of measurement

We welcome that the Proposal would require a registrant to express each scope of its GHG emissions in terms of carbon dioxide equivalent ("CO2e"). We agree that requiring a standard unit of measurement for GHG emissions, rather than different units of measurement for the different greenhouse gases, should simplify the disclosure for investors, reduce burdens at registrants and enhance its comparability across registrants with different types of GHG emissions.

(b) The boundaries for measurement

Disclosure requirements on the organizational boundaries used to calculate GHG emissions should be provided, but considering the balance between the importance of disclosure to investors and the practical burden on registrants, flexibility should be given in terms of whether the organizational boundaries are consistent with the scope of the consolidated financial statements of the registrants. For example, if the organizational boundaries are fairly disclosed, it should be permitted for registrants to exclude some entities based on materiality decisions given that it makes it possible to avoid potential investor confusion about the reporting scope.

(c) Scope 3 emissions

The SEC's final rule should continue to permit flexibility in the methodology used by financial institutions to calculate Scope 3 emissions. The Proposal would require financial institutions, like other registrants, to disclose Scope 3 emissions if these emissions are material, and to describe the methodology used to calculate those emissions. The Proposal notes that a financial institution's Scope 3 emissions disclosures would likely include the emissions from companies to which the registrant provides debt or equity financing (i.e., "financed emissions"). The Proposal would not, however, require financial institutions to employ a particular methodology for calculating Scope 3 emissions. The SEC states that this approach would provide each financial institution the flexibility to choose the methodology that best suits its particular portfolio and financing activities. We support such approach and would like the SEC to retain this flexibility in any final rulemaking.

(d) Transitional relief

We believe that at this point there are many registrants that have not yet built a system for collecting climate-related information in a timely manner. Considering that it takes time for registrants to collect GHG emissions data from domestic and overseas locations, we believe that it should be permitted to disclose information as of the end of the previous fiscal year, rather than the same fiscal year as the financial information. In particular, Scope 3 emissions (Category 15) are calculated using the disclosure for GHG emissions data of the investee in the relevant fiscal year, and therefore Scope 3 GHG emissions disclosure within the same fiscal year will create significant challenge for financial institutions.

v. Enhancement of Safe Harbor (Q51, Q133, Q174 and others)

The Proposal would require that registrants disclose significant details about their GHG targets and transition plans, and would potentially subject registrants to risk of liability under the federal securities laws regarding such disclosures. We understand that the Proposal mitigates concern over such risk by providing statutory safe harbor protections for forward-looking statements if made in good faith and with a reasonable basis. While we strongly support the establishment of a safe harbor, we are still concerned that the overall risk of liability could discourage registrants from setting ambitious climate-related goals and could effectively lead registrants to take more conservative climate-related positions — thereby undermining the very reason that many investors seek climate-related disclosures. In finalizing the rule, the SEC should seek ways to strengthen the safe harbor to protect registrants from liability under private litigation and enforcement actions so registrants are not penalized for setting ambitious net-zero commitments and transition plans and refining their targets, goals and transition plans over time.

vi. Attestation of Scope 1 and Scope 2 Emissions Disclosure (Q135, Q136 and others)

The Proposal would require the "reasonable assurance" of Scope 1 and 2 GHG disclosure after a certain transition period. Measurement methodologies and standards for the disclosure of GHG emissions are being developed, but given the current international practices and methodologies, it is too early to require "reasonable assurance" at this stage. We agree that the assurance requirement could be an option at a future stage, but we believe that the need for the assurance requirement and the specific timing of introduction should be re-considered at this stage taking into account the nascent development of the methodologies and standards for assurance. Also, assurance should not be required for Scope 3 disclosures given the immature standards for its measurement.

vii. Internal Carbon Price (Q26, Q29 and others)

We welcome that the Proposal would not require registrants to maintain an internal carbon price or to mandate a particular carbon pricing methodology, rather require registrants to disclose it only if the registrant maintains an internal carbon price. We note that the purpose and design of internal carbon price differ by registrant and, in most cases, they are still in the testing phase. The Proposal, however, provides standardized information requirements for internal carbon price as listed in § 229.1502(e)(1)(i) to (iv). We believe that it may be premature to adopt such approach, and narrative disclosure will be more useful for investors to better understand the full picture of the internal carbon price that the registrant adopts at this stage, as in the TCFD recommendations.

viii. Scenario Analysis (Q30 and others)

The SEC should appropriately limit disclosure requirements for financial institutions with respect to scenario analysis information. The Proposal would require that any registrant that uses scenario analysis to assess climate-related risks include, in its climate-related disclosure, a description of relevant scenarios, parameters, assumptions, and projected principal financial impacts. Some banking regulators in major jurisdictions, including the U.S., have proposed or implemented regulatory expectations that will encourage large financial institutions to perform such analysis as a regulatory matter in order to identify, measure, and manage climate-related risks. These risk management exercises are supervised by the regulators and may employ highly confidential supervisory information or trade secrets. The Proposal effectively would require financial institutions to disclose important details about those risk management exercises in public securities filings, and could raise difficult questions regarding potential conflict or inconsistency between regulatory expectations and SEC's disclosure requirements around scenario analysis. We therefore would like the SEC to coordinate closely with the banking regulators with respect to this requirement and to ensure that any final rulemaking (i) does not require financial institutions to disclose proprietary, supervisory, or other confidential information associated with scenario analyses exercises conducted as a risk management matter and (ii) aligns with the approach to public disclosure taken by the banking regulators as concerns scenario analysis.

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We thank the SEC for the opportunity to comment on the Proposal and hope our comments will contribute to further consideration in the SEC.

Yours faithfully,

Japanese Bankers Association