



Asia Investor Group on Climate Change (AIGCC)

Submission to U.S. Securities and Exchange Commission:
The Enhancement and Standardization
of Climate-Related Disclosures for
Investors

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Ms. Vanessa Countryman
Secretary
Securities and Exchange Commission
100 F Street N.E
Washington, DC 20549

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

Dear Ms. Countryman,

The Asia Investor Group on Climate Change (AIGCC) welcomes the opportunity to respond to public consultation on the US Securities and Exchange Commission's proposal on the Enhancement and Standardization of Climate-Related Disclosures for Investors. We appreciate your work to ensure the proposal meets the needs of investors for material climate-related information and also further the SEC's objectives to maintain fair and efficient markets and facilitate capital formation.

AIGCC members include over 60 Asian and international institutional investors active in 11 markets with over USD 36 trillion funds under management, along with members of the investment community focused on the impacts of climate and energy issues.

AIGCC is also the Asia network partner of the Paris Aligned Investor Initiative, a coalition of four regional investor groups - AIGCC, Ceres, IIGCC, IGCC - working collaboratively on global climate initiatives and engaging with members in our local markets to implement investor action on climate change and transition towards net zero economies.

AIGCC members are invested across Asian economies and are part owners of many of Asia's large corporations. As a group representing leading Asian investors, we welcome the US SEC's new rule on mandating climate disclosure for companies and investors.

In recent years, Asian governments have made great steps forward in enhancing Nationally Determined Contributions (NDCs), publicly committing to carbon neutrality goals, and making related legislations on climate change and green finance. As the momentum to tackle climate crisis grows in Asia, we have witnessed a rapid shift in how Asian investors view climate change, and their increased efforts to reflect climate risk and opportunities in their investments and portfolio managements.

Whether physical, transitional, regulatory, or market-driven risks, climate change has financial implications for businesses and investors while GHG emissions reduction has a bottom-line impact. Also, market participants including corporates and financial institutions have a fiduciary duty to consider climate risks to their business and investments to mitigate such risks. To manage negative impacts on business, operations, or financial conditions, it is significant for market players to provide decision-useful information on financial implications associated with climate change. For this, Task Force on Climate-related Financial Disclosures (TCFD) recommendations have been widely supported by companies, investors and regulators worldwide embarking on the journey of climate-risk disclosure.

We believe that transparent and effective climate disclosure that is fully integrated into business-as-usual financial reporting is the basis of managing climate related risks. Thanks to the enhanced awareness on climate impact, a broad range of investors across Asian markets have supported TCFD recommendations reflecting its framework on their strategies and are actively taking steps to manage climate-related risks following ESG related practices.

In Japan, Financial Services Agency (FSA), the regulatory body, has implemented mandatory climate risk disclosure requirements aligned with TCFD recommendations to listed companies on the Tokyo Stock Exchange Prime Market starting from April 2022. The Revised Corporate Governance Code where the mandatory requirements are stated is expected to be expanded to all businesses that submit annual securities reports. Singapore Exchange (SGX) also issued a roadmap for issuers to provide climate-related disclosures based on TCFD recommendations. According to the plan, all issuers must provide climate reporting on a 'comply or explain' basis in their sustainability reports commencing from FY 2022 while climate reporting will subsequently be mandatory in several sectors starting from 2023.

Acknowledging the significance, other Asian governments are gradually phasing in mandatory climate disclosure. In Hong Kong, the Green and Sustainable Finance Cross-Agency Steering Group set up by the Hong Kong Monetary Authority (HKMA) and the Securities and Futures

Commission (SFC) announced that climate related disclosures aligned with TCFD recommendations will be mandatory across relevant sectors no later than 2025.

AIGCC consents with the proposal that climate disclosure helps investors verify the credibility of institutions and companies' commitments related to climate change, which is vital to investors' assessment of risks. Moreover, improved transparency through scenario analysis disclosure requirements will reduce market uncertainty among investors and enhance investees' access to capital by showing their strategies in a net zero pathway.

Furthermore, AIGCC supports the SEC's efforts to align its proposal with ISSB climate risk disclosure standard that is expected to create a global baseline of sustainability disclosures. Regulators in Hong Kong (HKMA), Japan (FSA) and Singapore (Monetary Authority of Singapore) have expressed their support for the establishment of the ISSB and its proposed standards on climate disclosure which show Asian markets' wide support to climate disclosure practices.

AIGCC members, some of the largest investors in Japan and Asia, have provided their opinions supporting the proposal while emphasizing the mandatory climate disclosure recently initiated in Japan.

Asset Management One

Takeo Omori, Head of Responsible Investment Group

“As signatories to the Net Zero Asset Managers initiative, we are moving forward to net-zero. We believe that enhanced climate change-related disclosure is critical as a major prerequisite for assessing investee companies' alignment with a net zero pathway.”

“In Japan, the number of TCFD-supporting organizations is 758 (as of March 25, 2022), the largest number in the world. Japan's Corporate Governance Code was revised in June 2021 and stipulates that Prime Market-listed companies should collect and analyze necessary data on the impact of climate change-related risks and earning opportunities on their business activities and profits. It also calls for enhancing the quality and quantity of disclosure based on the TCFD recommendations, or an equivalent framework”.

Mitsubishi UFJ Trust and Banking Corporation

Masahiro Kato, Head of Responsible Investment

“Mitsubishi UFJ Trust and Banking Corporation, one of the largest asset management companies in Japan, publicly endorse Task Force on Climate-related Financial Disclosure (TCFD) and have conducted information disclosures in accordance with the recommendations

from TCFD. We welcome the SEC's Enhancement and Standardization of Climate-Related Disclosures Proposal for TCFD-aligned disclosure rules. Once implemented, we believe comparison analysis based on information disclosure would become considerably simple and realize a significant step toward achieving global baseline. As climate change affects all business sectors across the industries, we support the immediate introduction of integrated standard information disclosure rules."

Sumitomo Mitsui Trust Asset Management
Seiji Kawazoe, Senior Stewardship Officer

"To meet our investment objectives, a strong financial framework is needed that enables investment service providers like ourselves to well manage investment based on information provided by investee firms. We welcome the newly proposed US SEC rule on mandatory climate disclosure, which will provide companies with guidance on climate disclosure and encourages them to participate in the practice."

"We believe that disclosing the material and systemic risks of climate change will help both investees and investors to understand the financial impact of climate change as well as how climate change becomes systemic risk to the whole economy and the fabric of society."

With the support of our members and emphasizing the rapid shift in Asian markets towards open and transparent climate disclosure practice, AIGCC strongly supports the SEC's new rule on mandatory climate disclosure that will accelerate the implementation of mandatory climate disclosure across global markets promoting consistency and market transparency.

Thank you very much for your consideration of our comments.

Sincerely,



Rebecca Mikula-Wright, CEO
Asia Investor Group on Climate Change