

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,

Sumitomo Mitsui Trust Asset Management is an investment management service provider in Japan with AUM of over USD 750 billion, whose funds come from long term investors such as public and private pension funds. Due to the nature of the funds under management by SMTAM, we strongly support sustainable investment, the objective of which is increasing returns on investment as well as positive outcomes in sustainability. To meet our investment objectives, a strong financial framework is needed that enables investment service providers like ourselves to effectively 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 encourage 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 entire economy and the fabric of society. Also, mandatory climate disclosure will help all companies to understand climate risks including physical risks that climate-fueled weather events would have on real assets and transition risks posed by regulatory and technology changes during the shift to a net-zero emissions economy. Our belief is that these risks are interconnected and combined in some cases, and therefore need to be analyzed from holistic viewpoints, considering not only the impact of greenhouse gas emissions but also natural capital degradation such as deforestation.

We appreciate the US SEC's proposal on mandatory climate disclosure. Based on our experiences and expertise in sustainable finance and investment, we propose that the new rule be transparent, incorporating universally adopted reporting frameworks such as recommendations of the TCFD (Task Force on Climate-related Financial Disclosures), along with regular updates from scientific results and consensus. Industry-specific metrics should also be taken into consideration, which would allow comparable disclosures including scope 1, 2 and 3 emissions. As climate impacts are holistic in nature, the rules should extend to natural capital impacts.

As a global investor with a diversified portfolio, we believe a consistent and comparable climate disclosure is critical information for managing portfolio risks and engaging with portfolio companies. Since TCFD is being adopted globally, an alignment with global disclosure standards will support the efficiency of the investment process. Investors are increasingly focusing on the linkage between financial performance and sustainability, in particular the impact of climate change and economic transition. Therefore, it is important that climate disclosure be integrated into financial reporting with context for each issuer provided. In that regard, we appreciate the requirement for assurance and explanation of estimate usage that enhances the data quality if consistently applied.

Regards,

Seiji Kawazoe
Senior Stewardship Officer
Sumitomo Mitsui Trust Asset Management