Deutsche Bank

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

Re: Public Input on Climate Change Disclosures

Dear Ms. Countryman,

Deutsche Bank welcomes the opportunity to respond to the Securities and Exchange Commission ("Commission")'s March 15, 2021 request for information on whether current climate change disclosure requirements adequately inform investors. We are supportive of the Commission's involvement in enhancing guidance regarding climate change disclosures. We believe that the Commission's guidance on climate disclosures would be useful for encouraging translation of environmental and social issues into mainstream, commonly understood and analyzed financial information that can be used for valuation and company analysis. We are confident that capital markets will benefit from enhanced disclosures which will help to inform asset pricing, risk management and capital allocation.

The Commission should start with a principles based approach to climate disclosures and financial materiality should continue to be the main factor in underlying disclosure requirements. Reliable and comparable disclosures of financially material climate related information will make it easier to compare companies' exposures to climate-related risks and opportunities allowing investors to be better equipped to incorporate these risks into their investment and business decisions. Increased transparency and availability of climate relevant client data can also serve to provide greater information to other stakeholders for relevant decisions.

We have contributed to and are broadly in support of the comments submitted by the Securities Industry and Financial Markets Association (SIFMA), American Bankers Association (ABA), Institute of International Bankers (IIB), and Institute of International Finance (IIF) in response to the Commission's request for input and wanted to further emphasize four key recommendations:

- Ensure international coordination and cooperation in any climate related rulemaking efforts to prevent regulatory fragmentation

- Build on existing well recognized and globally utilized frameworks such as that set forth by the Task Force for Climate Related Financial Disclosures (TCFD)

- Consider the liability implications unique to climate disclosures and provide proper safe harbors to ensure disclosure quality is not hindered by these concerns

- Disclosures should include quantitative metrics and these should be measured on a consistent and comparable basis. For those sectors where this capability is still being developed, enhanced qualitative disclosures should be required until such time that they can be supplemented by quantitative disclosures

More detailed responses in regards to these four recommendations can be found below.

<u>International coordination</u>

We would encourage the Commission to continue to engage internationally to help align standards to ensure harmonization of climate disclosures and reduce the risk of regulatory fragmentation.

International cooperation and coordination for climate risk disclosures is essential given the global nature of climate risk and with many companies operating internationally there is a need to avoid fragmented reporting to ensure these disclosures are appropriately comprehensive and meaningful for investors. Aligning disclosure criteria across jurisdictions will also help to facilitate the tracking of broader international targets related to the shift to low-carbon, resilient economies.

In addition, active participation in international discussions will allow the U.S. to advocate for transparency in policymaking and help shape international systems and standards under development.

We appreciate the Commission's ongoing efforts to engage internationally through IOSCO and we encourage further engagement and working with the International Financial Reporting Standards Foundation (IFRS) and the establishment of a Sustainability Standards Board (SSB) in setting up global sustainability standards. The Commission can use their international engagement on climate risk matters to provide valuable input from a U.S. perspective on shaping global disclosure standards that would be compatible with the Commission's objectives and rules.

<u>Frameworks</u>

We support the Commission establishing a principles-based approach to climate disclosures which would enable the Commission to add more prescriptive requirements over time as global standards develop. A principles based approach allows for the focus to remain on achieving the purpose of the disclosures without instituting bright line rules that can stifle innovation. In addition, the principles based approach can also provide a framework with which the

Commission can engage with the groups internationally that are working to establish climate risk standards.

In addition, the Commission would benefit from leveraging existing international frameworks such as that of the Taskforce for Climate-Related Financial Disclosures (TCFD). The TCFD provides a global template for climate risk management and disclosures and is structured around four thematic areas that represent core elements of how organizations operate: governance, strategy, risk management, and metrics and targets. This structure is intended to help build consideration of the effects of climate change into routine business and financial decisions, and their adoption can help companies demonstrate responsibility and foresight.

Jurisdictions have become more aligned with the TCFD recommendations every year since their release in 2017. Among others, Canada, Chile, the European Union, Hong Kong, Japan, New Zealand, the UK, Singapore, and South Africa have announced new policies, partnerships, or other formal support for climate-related financial disclosure in line with the TCFD recommendations. We would encourage the Commission to continue to engage with the TCFD as we believe that going forward, it will be important to bring more standardization to reporting requirements across different countries and jurisdictions, in order to maximize the value of disclosure for investors and minimize the reporting burden for companies.

Safe Harbors

As public companies begin to provide more robust climate risk disclosures, we would encourage the Commission to provide more latitude to firms to disclose data that may be material for the investors without subjecting the disclosing firm to undue risk of litigation. The assurance of proper safe harbors for climate related information that limits the liability of unintentionally misleading amounts or statements will encourage companies to innovate and be candid in their disclosures. Instituting proper safeguards will help to limit the potential for relatively limited “boilerplate” disclosures which would not serve the Commission’s purpose in mandating these disclosures.

Metrics

As we begin this path towards reliable and comparable disclosures, private and public sector entities are recognizing the significant data challenges that exist. These challenges include current inconsistencies in the type of voluntary climate risk disclosure reporting undertaken by firms, reliability of data, and uncertainty due to the time horizon that applies to climate-related risks and the widespread nature of their impact. In addition, certain sectors require reliable and complete disclosures, including quantitative disclosures, from their clients and counterparties in order to provide their own complete disclosures. These challenges need to be taken into account in the planning for the disclosure requirements. We would encourage the Commission to require quantitative disclosures for those sectors that have the capability to do so and for those where this is still being developed to initially use a range of qualitative disclosures, which can align with and be enhanced from current practices and existing information. As the data for managing / monitoring climate risk becomes more robust and reliable, these qualitative disclosures should then be complimented with quantitative disclosures. In addition, the framework initially should require information disclosures regarding an entity’s own activities and then as a second phase require disclosures for the whole value chain as that data becomes more widely available.

We appreciate your consideration of our comments. Please contact me at [redacted] if you require further information.

Sincerely yours,

Erik Soderberg

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Head of Regulatory Affairs - Americas
Deutsche Bank AG

cc: The Honorable Gary Gensler
Chair
Securities and Exchange Commission

The Honorable Allison Herren Lee
Commissioner
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The Honorable Hester M. Peirce
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The Honorable Elad L. Roisman
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