BNP PARIBAS

June 16, 2022

By Electronic Mail

Ms. 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; RIN 3235-AM87

Dear Ms. Countryman:

BNP Paribas appreciates the opportunity to comment on the U.S. Securities and Exchange Commission (SEC) March 21, 2022 proposed rule on "The Enhancement and Standardization of Climate-Related Disclosures for Investors" (Proposal).[1]

BNP Paribas welcomes the Proposal and commends the SEC on proposing a framework that will help provide investors in the United States – and around the globe – essential and decision-useful information regarding the disclosure of internationally consistent, comparable, and reliable climate-related information about a registrant's business and financial performance over the short, medium, and long term. In particular, BNP Paribas applauds the SEC for proposing an ambitious disclosure framework broadly aligned with current and emerging international climate disclosure standards, as well as the SEC's leadership in working with the International Financial Reporting Standards Foundation's (IFRS) International Sustainability Standards Board (ISSB) in helping craft these standards.

BNP Paribas has long supported efforts to address climate change and to finance the transition to a more sustainable economy – and is a globally recognized leader in this area. We welcome the willingness of U.S. authorities – including the SEC and other financial regulators – to work with market participants and to aim for a high level of ambition in addressing climate change, in line with the U.S. decision to rejoin the Paris Agreement, and the ambitious Net Zero commitments undertaken by the Biden Administration. Given our experience with work already undertaken by European authorities, and through our engagement with all key international fora – including the Conference of the Parties to the United Nations (UN) Framework Convention on Climate Change (COP), the G20 Sustainable Finance Working Group (SFWG), the ISSB, the Net Zero Banking Alliance (NZBA), and global trade associations, BNP Paribas has been actively supporting the development of global environmental, social, and governance (ESG) standards on climate and other ESG issues. Similarly, BNP Paribas seeks to be a constructive partner with the SEC, other U.S. financial regulators, and the broader U.S. government, as the United States develops its own comparable regulations to address climate change.

[1] SEC Proposed Rule, The Enhancement and Standardization of Climate-Related Disclosures for Investors, 17 CFR 210, 229, 232, 239, and 249, March 21, 2022, https://www.sec.gov/rules/proposed/2022/33-11042.pdf

This comment letter first provides a brief introduction to BNP Paribas in the United States, as well as an overview of the bank's commitment to addressing climate change. The letter then provides a discussion of the following important comments and recommendations regarding the Proposal:

- ***SEC and U.S. alignment with international climate disclosure standards is critical for an effective climate disclosure regime for U.S. and global investors and to promote market efficiency;***

- ***The SEC should create a framework to permit a streamlined, outcomes-based substituted compliance regime to allow foreign private issuers (FPIs) subject to the SEC rule to rely on home country disclosure requirements, and to allow U.S. and non-U.S. multinational companies to comply with agreed upon international standards, to minimize potential conflicts of law and compliance challenges, and provide consistent disclosures for investors;***

- ***The Proposal's comprehensive disclosure requirements – including those to disclose Scope 1, 2, and 3 emissions as well as transition plans – will provide critical information about how companies may be affected by and respond to climate change, thereby supporting growing client preferences in the United States and globally, helping address investors' needs today, creating more efficient markets, and facilitating capital formation for funds and businesses – including those with ESG objectives;***

- ***The SEC's climate disclosure requirements must be consistent with any climate-risk management requirements from the U.S. prudential regulators, and other international financial regulatory authorities, including those recommended by the Basel Committee on Banking Supervision (BCBS), and implementation of the G20 SFWG roadmap.***

- ***Certain aspects of the Proposal are overly prescriptive and should be better calibrated to encourage more robust disclosures of climate-related information and to facilitate compliance, such as modifying the audited financial statement requirements.***

The comment letter discusses each of these points below with the goals of supporting the SEC in developing a durable, comprehensive climate-disclosure regime that: (1) builds upon – and is consistent and interoperable with – the evolving international climate-disclosure framework, and (2) that is streamlined and workable to facilitate compliance and provide robust climate disclosures for investors.

I. BNP Paribas in the United States

BNP Paribas is Europe's leading provider of banking and financial services. Incorporated in 1822, BNP Paribas has been active in the United States for more than a century and a half. Today the United States is central to BNP Paribas's global strategy. BNP Paribas reaffirmed its strong commitment to the U.S. territory by embracing the establishment of a U.S. intermediate holding company (IHC) in 2016. As of December 31, 2021, BNP Paribas had total assets at the combined U.S. operations (CUSO) level of approximately $238 billion – with $155 billion in the IHC (including $99 billion in Bank of the West and $56 billion in Corporate & Institutional Banking (CIB) entities within the IHC perimeter, predominantly BNP Paribas Securities Corp, the U.S. CIB broker dealer), and $83 billion in BNP Paribas U.S. branches.

Over the long term, BNP Paribas continues to see the U.S. economy as a primary source of growth for the Group as a whole. Although BNP Paribas announced in late 2021 its intention to sell Bank of the West

(BNP Paribas' U.S. retail operations) to Bank of Montreal (BMO), BNP Paribas remains committed to maintain a long-term presence in the United States through the bank's CIB and its Asset Management (AM) franchises.

In the Americas, the CIB business has grown rapidly over the past few years: it is an integral part of BNP Paribas' 2025 strategy, and is an area where the Group is investing heavily across both people and technology, as evidenced by recent investments in the BNP Paribas equities team. Likewise, the Group has also built a substantial and expanding AM business in the Americas. BNP Paribas will further develop these businesses, and continue to grow market share in the region, as part of BNP Paribas' mission to serve U.S. client needs in the Americas and around the world.

Pending all necessary regulatory approvals, BNP Paribas's North America platform post the Bank of the West transaction will serve around 2,500 corporate and institutional clients, generating revenues of around $3 billion, and employing approximately 4,000 people in the United States. This is part of a larger Americas footprint that not only offers CIB and AM services but also wealth management, insurance, personal finance and leasing. Finally, to strengthen connectivity and reinforce the BNP Paribas "One Bank" approach that offers access to BNP Paribas's global corporate banking platform, BNP Paribas will enter into long-term distribution agreements with BMO for the provision of equipment finance and cash management solutions in North America.

The BNP Paribas CIB business serves many of America's largest corporations and financial institutions. Through the bank's integrated model with a presence in 68 countries, BNP Paribas bankers based in the United States help U.S. corporates secure financing and manage risk not only in the United States but throughout the globe, with a particularly strong reach in Europe. In addition, BNP Paribas helps many of its non-U.S. clients raise capital or invest in the United States, supporting the strength, diversity, and liquidity of the U.S. financial system and the broader U.S. economy.

II. BNP Paribas has long been a global leader in supporting the transition to a greener, more sustainable economy

BNP Paribas is the premier global bank supporting the transition of our clients to clean-energy and addressing climate change. The Group has been strongly involved in the fight against climate change since 2011, and affirmed its ambition of aligning its business activities with the goals of the Paris Agreement very early on.

BNP Paribas has officially supported the Task Force on Climate-related Financial Disclosures (TCFD) since its inception in June 2017, and BNP Paribas is part of the pilot group of banks that is working to develop a methodology for the implementation of the TCFD's recommendations under the aegis of the UN. In 2021, BNP Paribas reinforced its commitment by joining as a founding member the NZBA launched by the UN Environment Programme Finance Initiative (UNEP FI) ahead of COP26 (BNP Paribas was already a founding member of UNEP FI's Principles for Responsible Banking (PRBs) and its ambitious Collective for Climate Action launched in 2019). In this framework, BNP Paribas commits to align greenhouse gas emissions arising from its credit and investment for its own account activities with the path required to achieve full carbon neutrality in 2050.

BNP Paribas has been carbon neutral on its operational scope (direct greenhouse gas emissions and indirect emissions linked to the purchase of energy and to business travel) since 2017, through careful

monitoring and reductions of CO2 emissions, the use of renewable energy and offsetting residual emissions.

BNP Paribas's ambition is deployed in all business lines with two key focuses: (1) reducing the Group's contribution to climate change by reducing its support for activities with the highest greenhouse gas (GHG) emissions, and (2) gradually aligning its loan book with the goals of the Paris Agreement. In December 2018, BNP Paribas and four other European banks implemented a common methodology, which became known as the Paris Agreement Capital Transition Assessment (PACTA). BNP Paribas is firmly supporting the energy transition of its retail, corporate, and investment customers by issuing dedicated loans, adapting its solutions, and conducting training and awareness-raising initiatives. The bank has also adopted, within its savings management businesses, steps to align with the objectives of the Paris Agreement similar to those taken for bank lending activities.

For example, the group's AM business has joined the Net Zero Asset Managers initiative, and has become one of the most widely recognized global investors in voting for climate-related shareholder proposals at general meetings of companies in which it is a shareholder. In addition to supporting and submitting shareholder proposals relating to climate change, AM is also incorporating climate change into its voting policies regarding management proposals. When companies do not meet AM's climate expectations, AM is opposing certain key management proposals, including director elections, at companies that fail to properly report on Scopes 1, 2, and – where appropriate – Scope 3 GHG emissions, nor want to constructively engage with respect to their business strategy on climate adaptation or their climate lobbying strategy. Additionally, beginning in 2022, AM amended its voting policies to increase expectations towards companies identified as the world's largest corporate greenhouse gas emitters to have set an ambition to achieve net-zero GHG emissions by 2050 or sooner in line with global efforts to limit warming to 1.5 degrees Celsius.

BNP Paribas also closely examines climate-related risk factors liable to affect its activities, those of its clients and the companies in which the Group invests – in the short, medium, and long term – and incorporates them in its general risk management framework. Lastly, BNP Paribas has set up, and is continuing to develop, indicators used to quantify its impacts, risks, contribution to the energy transition, and progress towards established targets.

In 2021, the Group's ESG governance system was extended to all aspects of the bank, and its structure was accentuated. A Sustainable Finance Strategic Committee, chaired by the Group's Chief Executive Officer, was set up in November 2021. This bimonthly committee – in which members of Executive Management, the Corporate Engagement Department, and the heads of business lines and functions involved take part – approves the overall strategy in terms of sustainable finance, decides on the overall commitments made by the Group and the main focus points of sustainable finance commercial policies, and then monitors their operational implementation.

In terms of the bank's own climate disclosures, BNP Paribas has been publishing a TCFD report since 2019, and has included ESG disclosures in its annual report since 2002. BNP Paribas has been publishing this information not only to satisfy various European regulatory and supervisory expectations, but also to meet the growing demand from European and global investors for company ESG information and sustainability goals. On May 3, 2022, BNP Paribas unveiled its first "Climate Analytics and Alignment" report and carbon emissions as well as intensity reduction targets by 2025 for three key sectors: (1) power generation, (2) upstream oil and gas and refining, and (3) automotive manufacturing. In the report, BNP Paribas is choosing a more ambitious path than that of the International Energy Agency's (IEA) Sustainable

Development scenario, which is aligned with the objectives of the Paris Agreement. BNP Paribas will continue to support its clients in the transition to net zero while working on aligning high emitting sectors within its credit portfolio.

III. Comments and recommendations to support and improve the Proposal

A. SEC and U.S. alignment with international climate disclosure standards is critical for an effective climate disclosure regime for U.S. and global investors and to promote market efficiency.

BNP Paribas commends the SEC for issuing a proposal that builds on international efforts by the TCFD and the IFRS Foundation's ISSB seeking to "develop a set of internationally consistent, comparable, and reliable baseline standards for disclosure of sustainability-related information on enterprise value creation." In particular, these international standards are being developed in a manner that reflects the SEC's mission statement, as ISSB is developing "disclosure requirements that address companies' impacts on sustainability matters relevant to assessing enterprise value and making investment decisions," and that "focus on information that is material to the decisions of investors and other participants in the world's capital markets."

BNP Paribas supports the high degree of alignment between the SEC Proposal and the 2021 TCFD standards, as well as the emerging sustainability standards developed by the ISSB, Draft IFRS S1 (General Requirements) and Draft IFRS S2 (which is specific to climate-related disclosures). BNP Paribas encourages further – and continuing – SEC alignment with the ISSB framework to the greatest extent possible, since differing initiatives can only result in inconsistencies in approaches and timing, misallocation of scarce expert resources, and confusion for investors. For corporates and financial institutions, differing and conflicting climate disclosure frameworks will also generate implementation conflicts that would hinder – rather than accelerate – the desired transformation of business practices.

BNP Paribas therefore welcomes the internationally consistent, and broad and holistic, approach to climate-related disclosures adopted by the SEC, in particular the inclusion of the following information:

- The disclosure of Scope 1, 2 and 3 GHG emissions;
- The disclosure of a registrant's climate targets or goals, as well as the separate disclosure of carbon offsets or renewable energy certificates (RECs) that are used to achieve climate-related targets or goals, as well as a registrant's transition plan;
- Oversight and governance of climate-related risks;
- Impacts of climate-related risks on the business and financial performance over the short, medium, and long term, as well as any impact on a registrant's strategy and business model;
- Processes for identifying, assessing, and managing climate-related risks and their integration into the overall risk management framework, including the possible use of scenario analysis;
- Impact of climate-related events (severe weather events and other natural conditions) and transition activities on the consolidated financial statements; and
- Any use of an internal carbon price, including information about the price and how it is set.

These disclosures are also critical for banks' own reporting of climate-related risks, given the most relevant aspect of ESG disclosure for banks and financial institutions is not just their Scope 1 and 2 emissions, but also their financed emissions, which depend on information disclosed by corporates and on the

development of robust and globally harmonized methodologies. Indeed, banks and investors are increasingly internationally active and will have to disclose their global portfolio's climate-related data according to their home jurisdiction's climate-related disclosure requirements. Consequently, any discrepancy in the definition, calculation methodology, and timing implementation of those key performance indicators (KPIs) will severely slow down the goal of increasing the allocation of capital to further the transition to a net zero economy across the globe. Accordingly, the SEC's climate disclosure regime should be consistent in substance with the revised TCFD standards published in 2021 and the emerging ISSB standards.

To further the goal of international convergence of climate disclosure standards, BNP Paribas encourages the SEC's continued participation in the ISSB's International Sustainability Standards Board Jurisdictional Working Group (ISSB JWG) reviewing the comparability between the ISSB global baseline and local initiatives (in addition to the SEC, the ISSB JWG also includes the Chinese Ministry of Finance, the European Commission (EC) and the European Financial Reporting Advisory Group (EFRAG), the Japanese Financial Services Agency (FSA), and the United Kingdom (UK) Financial Conduct Authority (FCA)). There is indeed a strong public interest for investors in seeking to align, where possible, international and local climate disclosure requirements. In fact, there is currently a unique window of opportunity to do so given that the SEC and ISSB proposals are out for comment at the same time as several other major jurisdictions' proposals. BNP Paribas also encourages the ISSB JWG to create an advisory group or other forum where market participants (i.e., those involved in using or preparing climate disclosures) could provide input into how local jurisdictional standards could be made more interoperable.

B. The SEC should create a framework to permit a streamlined, outcomes-based substituted compliance regime to allow FPIs subject to the SEC rule to rely on home country disclosure requirements and to allow U.S. and non-U.S. multinational companies to comply with agreed upon international standards, to minimize potential conflicts of law and compliance challenges, and provide consistent disclosures for investors.

BNP Paribas encourages the SEC to adopt a streamlined, outcomes-based substituted compliance process for climate disclosures by those FPIs subject to the rule. In addition, the SEC should also provide a framework whereby all multinational companies, including those headquartered in the United States, can streamline their compliance with the SEC rules through alignment with agreed upon international standards.

As background, several major jurisdictions have already adopted – or are in the process of finalizing – robust climate disclosure regimes comparable or more expansive than the climate disclosure framework in the Proposal, and that are broadly consistent with TCFD recommendations and the emerging ISSB standards. For example, the European Union (EU) has had ESG (including climate) disclosure requirements in effect since 2018. In addition, on April 21, 2021 the EU adopted an ambitious sustainable finance package that included the development of an enhanced sustainability reporting framework under the Corporate Sustainability Reporting Directive (CSRD). These standards are fully mapped and matched to the TCFD and ISSB frameworks (and even more prescriptive in some aspects), and are currently being further developed by the EFRAG. EFRAG has launched a public consultation on these ESG standards, and after taking into account all stakeholders' answers to the consultation, EFRAG will propose the final standards to the EC by November 2022 for EC approval. The UK has also adopted a TCFD-based reporting framework, which went effective for premium-listed companies on January 1, 2021, and which was extended to all companies with more than 500 employees and £500 million in annual turnover in April 2022.

Providing a SEC substituted compliance framework for climate disclosures would reflect the need to create an **interoperable international climate disclosure regime** for U.S. and global issuers and investors, and would promote efficiency and competition by helping to address potential duplication and inconsistency between relevant U.S. and foreign requirements. Such a framework would help FPIs and multinational companies leverage their operating systems and practices to comply with the SEC climate disclosure framework in conjunction with their compliance with relevant existing foreign requirements that often cover their U.S. operations. In addition, a SEC substituted compliance regime would continue to encourage active participation of FPIs in the U.S. securities market, and encourage greater alignment on international disclosure standards over time.

The SEC has previously adopted standards that allow FPIs to defer – in whole or in part – to non-U.S. disclosure regimes. For instance, FPIs are allowed to look to home country standards with respect to compensation disclosure for individuals under Item 6.B of Form 20-F rather than report in accordance with Item 402 of Regulation S-K. Another example is the SEC's security-based swap dealer (SBSD) financial reporting requirements, which allow non-U.S.-based SBSDs to provide financial reporting disclosures as required by their home jurisdictions. Both of these SEC rules help reduce the compliance burden of dual-listed FPIs and avoid duplicative regulation, unnecessary operational complexity, and potential conflicts of law.

As a practical matter, any SEC substituted compliance regime should be streamlined, and should avoid creating a cumbersome process of line-by-line comparisons between the SEC climate disclosure regime and the climate disclosure rules of the foreign jurisdiction. Such a complex process wastes regulatory resources from the SEC and international authorities, presents a complex and unnecessarily expensive burden for market participants, and does not further the SEC policy objectives to ensure a robust disclosure framework consistent with the SEC's goals. Instead, the SEC policy objectives can be far better accomplished with a broad degree of deference to the foreign regime so long as certain key pillars and policy goals are satisfied.

The SEC should consider adopting the following approaches:

- ***Alternative reporting using international standards from the ISSB (or until the ISSB standards are finalized, the TCFD 2021 revised standards)*** – The SEC should allow registrants to comply with the SEC climate disclosure requirements by using ISSB climate standards as an alternative reporting regime. Such an alternative reporting regime option should be extended to all registrants – including FPIs and U.S. registrants, who may wish to comply with the ISSB standards instead of the SEC's climate disclosure framework. Such an option would significantly simplify compliance for both FPIs and U.S.-domiciled issuers, support international alignment of standards, improve the consistency of global disclosures for the benefit of U.S. and global investors, and strengthen overall market efficiency.

    - ***Use of TCFD 2021 revised standards as a temporary alternative reporting regime until the ISSB standards are finalized*** – Should the SEC finalize its climate disclosure framework before the ISSB final standards are agreed, all registrants should be allowed to use the TCFD 2021 revised standards as an alternative to the SEC requirements during the interim period before the ISSB standards become effective. The SEC's Proposal is closely aligned with the TCFD 2021 revised standards, therefore the TCFD 2021 framework would be an adequate substitute while the ISSB climate-related standards are being developed.

Furthermore, the TCFD 2021 standards also form the basis of the ISSB climate reporting framework, so it is unlikely that there would be significant substantive deviations in the long run between the SEC's Proposal and the ISSB climate-related standards once the ISSB climate standards become the alternative reporting regime.

- ***Upfront SEC recognition of comparable regimes*** – Another way to enact a streamlined substituted compliance process would be for the SEC to allow an upfront recognition of alternative reporting regimes for foreign jurisdictions with disclosure regimes comparable to the SEC, similar to how the SEC structured its December 16, 2020 Final Rule for "Disclosure of Payments for Resource Extraction Issuers." Having an upfront decision in the SEC's finalized climate disclosure rule (or a contemporaneous SEC order) about which international frameworks the SEC generally deems comparable to its own would reduce administrative burdens for the SEC, international regulators, and FPIs. This approach would avoid unnecessary line-by-line evaluation of international rules for jurisdictions that satisfy the same outcomes and objectives sought by the SEC's climate disclosure regime.

- ***FPI certification that home country rules are consistent with certain international standards –*** Given the alignment between the SEC Proposal and international standards, the SEC could allow a FPI to certify that its reporting regime is generally consistent with the ISSB standards (or the TCFD 2021 revised standards until the ISSB standards are finalized). This approach could be similar to the straightforward process in which the Board of Governors of the Federal Reserve System (FRB) allows FBOs to comply with the FRB single counterparty credit limits (SCCL) rule simply by certifying that the FBO is complying with home country SCCL rules based on the large exposure framework recommended by the Basel Committee.[2] Should there be a time gap between when the SEC issues its final rule and when the ISSB standards are adopted, the SEC could initially allow a FPI to use the TCFD 2021 revised standards as an alternative regime.

The use of one – or some combination – of the approaches listed above would help to facilitate compliance with the SEC's climate disclosure regime, and greatly improve the international consistency and usefulness of such disclosures to investors in the United States and around the globe. SEC development of an appropriate substitute compliance framework will also help facilitate compliance by U.S. companies and financial institutions operating abroad that may wish to benefit from reciprocal mutual recognition frameworks from other jurisdictions – which only serves to highlight the need to maintain the Proposal's high degree of convergence with international standards.

C. The Proposal's comprehensive disclosure requirements – including those to disclose Scope 1, 2, and 3 emissions as well as transition plans – will provide critical information about how companies may be affected by and respond to climate change, thereby supporting growing client preferences in the United States and globally, helping address investors' needs today, creating more efficient markets, and facilitating capital formation for funds and businesses – including those with ESG objectives.

BNP Paribas strongly supports the SEC's proposed mandatory disclosures for Scope 1, 2, and 3 GHG emissions. Climate related disclosures are needed to allow investors to assess the long-term viability and performance of company business models, therefore influencing enterprise value. This approach is now

[2] FRB Final Rule, Single-Counterparty Credit Limits for Bank Holding Companies and Foreign Banking Organizations, 2 CFR Part 252, August 6, 2018, https://www.govinfo.gov/content/pkg/FR-2018-08-06/pdf/2018-16133.pdf

increasingly recognized at the global level and led the G20 to mandate the IFRS Foundation to create the ISSB to define IFRS Sustainability standards, in complement to the IFRS accounting norms.

Given the increasing awareness of corporates and the financial community about the need to accelerate the transition to a low carbon economy, establishing robust and comparable climate related disclosure standards is critical to providing investors decision-useful information. In particular, this information is essential for banks and asset managers to assess climate-related risks for lending purposes and making investment decisions, to define portfolio alignment strategies in the context of a registrants net zero commitments, and to build climate-friendly investment products for clients who have expressed ESG preferences. Investors are demanding information about whether a company has adopted a commitment to reach "net zero by 2050," despite the long horizon – and investors need to monitor and evaluate performance against that commitment in the short, medium, and long-term. Climate change and other environmental harms accumulate over time, translating into systemic instability over a timeframe that is disconnected from market cycles, and deserve ongoing monitoring. Moreover, despite some arguments that climate disclosures could lead to more companies remaining private, a recent survey suggests that private investors are also demanding climate disclosures. In fact, "[c]limate change is the universal environmental concern for Limited Partners [(LPs) of private equity funds]" and "[u]nsurprisingly, climate change is by far the most important environmental focus of investors' ESG programmes – with 93% of LPs reporting that they focus strongly on this risk" (Coller Capital's Global Private Equity Barometer, Summer 2022 Overview).

- ***Support for mandatory disclosure of Scope 1, 2 and 3 GHG emissions***

In support of the SEC's objectives, and to provide a more durable and decision-useful set of Scope 1, 2 and 3 disclosures, BNP Paribas recommends the following adjustments to the Proposal:

  - ***Large issuers should disclose Scope 3 emissions in all cases, in line with the requirement to disclose Scope 1 and 2 emissions*** – Investors are increasingly demanding to know how corporate actions and activities affect carbon emissions and climate change more broadly. In particular, investors and financial institutions alike need to understand Scope 3 emissions for registrants from a wide range of industries due to their significant contributions to the systemic threat of climate change for several reasons. First, foreign investors rely on SEC disclosures to help comply with home country regulations – and certain voluntary commitments, including commitments to reach net zero financed emissions – to evaluate and address adverse impacts to society and the environment. Second, major investors and bank lenders are already requesting Scope 3 information in order to prepare their investment analysis and credit assessment processes. And lastly, for financial institutions, while climate transition pathways are necessarily specific to each sector and country, disclosures need to include a small number of core KPIs common across sectors and jurisdictions. Mandatory Scope 3 disclosures will allow financial institutions to aggregate those common KPIs to monitor and disclose the climate performance of global portfolios.

    The Proposal's discussion rightfully focuses on importance to the reasonable investor and the proportion of Scope 3 relative to total emissions, but given the SEC's proposed two prong qualifiers triggering Scope 3 disclosure, the Proposal may create too much uncertainty for issuers and investors for when Scope 3 is required. Further, the Proposal's current formulation may disincentivize companies that have not yet adopted Scope 3 targets from expanding their climate commitments. Indeed, investors and markets would be better served by a bright line

rule that would produce a comparable set of disclosures from all large issuers on Scope 3 emissions. Therefore, along with the disclosure of Scope 1 and 2 emissions, the disclosure of a registrant's Scope 3 emissions should be required for large issuers in all cases – and not be limited by the SEC's proposed two pronged approach for when Scope 3 would be required by registrants.

- ***Moving towards a common set of Scope 3 emissions methodologies –*** Methodologies exist for corporates to calculate their Scope 3 emissions based on their entire value chain and such disclosures are crucial for helping financial institutions assess their clients' climate risk profiles for individual investments and lending decisions. In particular, the Partnership for Carbon Accounting Financials (PCAF) methodology is likely to provide a solid framework for calculating Scope 3 emissions for banking portfolios, and has already been adopted by some banks, including BNP Paribas (the bank has committed to publish its Scope 3 emissions by the end of 2022).

- ***For financial institutions, Scope 1, 2, and 3 emissions should only be disclosed on an aggregate basis –*** BNP Paribas supports the mandatory disclosures of Scope 1, 2, and 3 emissions on a disaggregated basis for each constituent greenhouse gas (e.g., by carbon dioxide, methane, nitrous oxide, etc.) for corporates, but recommends that for financial institutions, GHG emissions should only be disclosed in an aggregate manner. This requirement in the Proposal is too granular and goes further than the TCFD recommendations for financial institutions.

- ***Support for using GHG intensity metrics with some modifications*** – BNP Paribas supports including GHG intensity metrics, which is recommended by the TCFD, as they are used for BNP Paribas portfolio alignment targets. However, intensity metrics have some limitations since the denominator can differ from one issuer to the next and current methodologies have significant shortcomings. For instance, the "weighted average carbon intensity" (WACI) methodology is often criticized because it requires the use of sectoral averages as proxies. In addition, WACI is supposed to link a corporate's carbon emissions to its revenues, but this link is not supported by evidence. WACI introduces a pricing power bias in the measurement of financed emissions that is highly problematic. As a result, the SEC should extend its proposed safe harbor to cover the use of third-party data to help address some of these challenges, or otherwise provide for a phased-in approach to allow the development of more robust methodologies.

- ***The safe harbor should be extended to all Scopes that rely on third-party data*** – BNP Paribas supports the SEC's inclusion of a safe harbor for Scope 3 emissions, transition plans, and scenario analysis disclosures. Given the difficulty of calculating Scope 3 emissions and the reliance on forward-looking information for transition planning and scenario analysis, a safe harbor will give registrants the ability to disclose this important information to the best of their ability without the risk of liability. BNP Paribas also recommends that the safe harbor be extended to other climate-related disclosures (e.g., Scope 2 emissions, and possibly Scope 1) that rely on third party data, as these present the same considerations and liability concerns as Scope 3 emissions data. Such an extension of the safe harbor would promote greater disclosure of robust and decision-useful information to investors, while limiting unnecessary litigation.

- ***Support for disclosure of transition plans***

BNP Paribas recommends that the disclosure requirements for transition plans include a link with U.S. engagement in the Paris Agreement to limit global warming to 1.5 degrees Celsius when registrants have adopted a transition plan that is in line with the Paris Agreement. This would allow a more precise reference to a scenario in the transition plan disclosed by corporates and give more comparability of information to investors.

- ***Independent assurance can provide important safeguards to help avoid greenwashing and support accuracy of climate commitments***

BNP Paribas supports the proposed attestation requirement on Scope 1 and 2 emissions. An integrated audit process would provide an important check on the accuracy of climate disclosures and prevent greenwashing. Independent external assurance enhances the reported sustainability information's credibility. However, the SEC should at least initially (and on a time-limited basis), simplify the attestation requirement by requiring limited assurance (i.e., a negative assurance regarding whether any material misstatements or omissions have been identified after a review) which at this stage is less costly and still provides adequate auditing of climate disclosures.

As a first step, a limited assurance is all that is required to accomplish the SEC's objective to provide an external independent verification of climate disclosures – and reasonable assurance would be unduly burdensome and unnecessary at this stage, given data gaps. Reasonable assurance entails far more extensive procedures than in a limited assurance engagement. They include: (1) risks identification and assessment that any matters may be unfairly represented; (2) testing the operating effectiveness of the company's internal controls upon which the practitioner intends to rely on; and (3) substantive procedures. As data gaps are progressively addressed, reasonable assurance could be applied as in an audit of financial statements if it is determined that it is practical and the robustness of data warrants the enactment of a reasonable assurance standard.

More specifically, the SEC should only require a reasonable assurance if it determines after no less than five years that the limited assurance is inadequate and that the reasonable assurance is practical and feasible. This approach would be similar to the European assurance standard under the EC's CSRD proposal, still under negotiation, which introduces an EU-wide requirement for limited assurance on sustainability information that will only evolve into a reasonable assurance after a 4-6 year phase-in period and some type of an impact assessment on whether the reasonable assurance is practical.

D. The SEC's climate disclosure requirements must be consistent with any climate-risk management requirements from the U.S. prudential regulators, and other international financial regulatory authorities, including those recommended by the BCBS, and implementing the G20 SFWG roadmap.

Banks are expected to be subject to a specific set of regulatory demands from their primary regulatory authorities for climate-related risks. The FRB, the Office of the Comptroller of the Currency (OCC), and the Federal Deposit Insurance Corporation (FDIC) (collectively the U.S. banking agencies), as well as international prudential regulators are working to develop their own requirements to ensure banks integrate climate-related risks into their risk management frameworks – consistent with recommendations and harmonization efforts by the BCBS. It is critical that the SEC climate disclosure requirements be consistent with any climate-risk management requirements from the U.S. banking

agencies and other international financial regulatory authorities for all prudential framework components (from the qualitative disclosures around governance, strategy and business models to the metrics, targets and transition plans to be included in Pillar 3 disclosures).

One possible regulatory approach under consideration at the global level is, for example, the use of climate scenario analyses to quantify vulnerabilities to climate risk. The Network for Greening the Financial System (NGFS) is at the forefront of this area, and has already published three generations of climate scenarios, which are used as a reference by most banking supervisors looking to implement climate-related scenario analyses. The U.S. banking agencies have also noted that climate scenario analysis may be a helpful tool in encouraging banks to avoid the worst effects of a disruptive climate transition. In addition, the U.S. banking agencies are currently considering whether to be more focused and tailored in looking at specific portfolios, and may not expect banks to run full exercises annually. In Europe, the European Central Bank (ECB) has already established a set of climate-related expectations for banks in November 2020, and EU-domiciled banks are currently undergoing an ECB 2022 quantitative climate-related "stress test." In addition, the French Prudential Supervision and Resolution Authority (ACPR) and other European regulatory authorities have already started to define their own climate-risk supervisory expectations.

The SEC should recognize that banks will need to comply with expectations from the U.S. banking agencies, and in the case of FPIs, home country prudential regulators. Certain information shared with U.S. banking agencies that is considered confidential supervisory information (CSI) will need to remain confidential, and business strategies and trade secrets necessary to run effective bank-specific scenario analysis should not need to be disclosed publicly. Scenario analyses performed by banks should be developed in a careful, thoughtful, and collaborative manner between regulators and industry in order to best identify and manage risks, rather than in a rushed fashion to meet disclosure expectations. At a minimum, any SEC requirement related to disclosure of scenario analyses required by regulators should be limited to a simple disclosure of whether a bank is conducting such analysis, whether it is required by a regulator, and which regulatory or internationally-agreed framework is being used (e.g., ECB, NGFS, or a possible framework from one of the U.S. banking agencies).

For scenario analysis conducted by reporting companies on a voluntary basis, the SEC should also adopt a far less prescriptive approach – and should not require disclosure of scenario analyses details, which could disclose sensitive business information and strategy that would only add confusion and inconsistent information to the market. Disclosing whether or not a registrant conducts scenario analysis and providing a general description as part of the Management Discussion and Analysis (MD&A) under Regulation S-K would be a good alternative in order to incentivize registrants to undertake scenario analysis. Furthermore, disclosing the results of scenario analysis amounts to making forward-looking statements that may not be adequately covered by existing liability protection under the Private Securities Litigation Reform Act (PSLRA), given its limitations. As a result, the SEC should strengthen the safe harbor on scenario analysis disclosures.

E. Certain aspects of the Proposal are overly prescriptive and should be better calibrated to encourage more robust disclosures of climate-related information and to facilitate compliance, such as modifying the audited financial statement requirements.

While we support the range of information requested by the SEC as well as the value of auditing and assurance for climate disclosures, BNP Paribas recommends that the SEC reduce the breadth and prescriptiveness of the disclosures requested to be included in the audited financial statements under

Regulation S-X. As proposed, the SEC requirements for Regulation S-X are not operable in their current form. For example, the Proposal would require inclusion of a note to the audited financial statements under Regulation S-X disclosing the financial impact of severe weather events and transition activities on each line item. Disclosure would also be required for expenses and capitalized costs related to severe weather events and transition activities. Given the uncertain manner in how some of the requested detail would be calculated, the Regulation S-X requirements as drafted would impose significant liability and operational risks, as well as unnecessary compliance costs, including possible impacts on corporate internal control requirements.

For information that would be included in the audited financial statements, the trigger for disclosure should follow the same principles-based rule as required for other financial information, rather than establishing any specific numerical target for potential materiality (e.g., the absolute value of impacts on a line item is 1% or greater than that line item, total expenses or total capitalized costs, respectively). Just the cost of determining impacts exceeding 1% for every line item would be significant and would not necessarily produce more reliable information for investors given the data and methodological challenges.

In addition, while BNP Paribas supports the need for transparency in definitions and methodologies used, there is room for possible simplification for how the SEC would require contextual information describing how each specified metric is derived, including a description of significant inputs and assumptions used, and, if applicable, policy decisions made by the registrant to calculate the specified metrics.

To address these concerns, BNP Paribas recommends that the SEC should limit the information required in the audited financial statements so it is less prescriptive. In addition, the SEC should include an amendment to Item 303(b) of Regulation S-K that expressly requires registrants to consider and disclose climate-related impacts when discussing their results of operations, capital resources, and liquidity. The disclosures will be more meaningful and understandable in the context of the MD&A section and will significantly reduce registrant costs without compromising the scope of disclosures required.

* * * * *

Thank you again for the opportunity to comment. If BNP Paribas can provide the SEC with any further information please contact Jeffrey Siegel, Head of U.S. Public and Regulatory Policy, at jeffrey.siegel@us.bnpparibas.com or by phone at (212) 841-2059.

Sincerely,

Jean-Yves Fillion
CEO of BNP Paribas USA and Chairman of CIB Americas
BNP Paribas

cc: The Honorable Gary Gensler, Chair, U.S. Securities and Exchange Commission
The Honorable Hester M. Peirce, Commissioner, U.S. Securities and Exchange Commission
The Honorable Allison Herren Lee, Commissioner, U.S. Securities and Exchange Commission
The Honorable Caroline A. Crenshaw, Commissioner, U.S. Securities and Exchange Commission