To: Anton Gorodniuk, Financials Sector Analyst, SASB

From: JPMorgan Chase & Co.

Date: January 31, 2018

Subject: Feedback on proposed changes to SASB's Financials Sector Sustainability Accounting Standards

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Thank you for the opportunity to provide feedback on the proposed changes to SASB's Financials Sector Sustainability Accounting Standards. We have met with a number of SASB staff over the past several years and appreciate your willingness to consult industry stakeholders. In the most recent draft of proposed changes to the Financials Sector Standards, we noticed several areas of improvement; however, we continue to have a number of concerns about some of the metrics. We also continue to struggle to understand the rationale for some of the metrics and what they're intended to demonstrate. We've outlined more detailed comments and examples below.

We recognize SASB's efforts to be thorough and detailed in providing stakeholders with significant documentation and explanation of proposed revisions. However, it was challenging to review and track all of the proposed edits across multiple documents that totaled more than a few hundred pages. To the extent that it's possible to streamline such documentation and consolidate the proposed metrics in one location, we would find that helpful.

Overall, we are supportive of efforts to strengthen the consistency of sustainability disclosures, and focus disclosures on issues that are most relevant to a company and its operations. However, it is also important for companies to retain flexibility when determining how to implement such disclosures, based on the nature of their business and current issues. The issues that are material to one company may be slightly different for another, even within the same industry, based on their assets, location of operations, regulatory environment and customer base, among others.

Please let us know if you have questions about these comments. We look forward to continuing the dialogue with you and your team.

<u>Areas of Improvement</u>

- *Qualitative Focus (vs. Quantitative Focus)* – The move from quantitative metrics to metrics more qualitative in nature is an improvement. An example of this is Proposed Update #2-34, which proposes replacing the percentage of total proxies voted with a description of proxy voting.

- *Comparability* – It appears that a number of metrics have been removed because they lack comparability (for example, see Proposed Update #2-31). The comparability of metrics across the industry is of critical importance, and as such we view this as an improvement.

<u>Areas of Concern</u>

- *Inappropriate Representation* – There are a number of updates that focus on metrics we view to be inappropriate representations of business practices. An example of this – across many of the metrics proposed – is the focus on consumer behavior as consumer behavior isn't necessarily a reflection of business practices. Examples of this include Proposed Update #2-38, which measures the number of account holders who opt in, as well as Proposed Update #2-40, which references average customer debt, mean and median age of accounts and the average monthly full payment rate.

- *Regional Nuances* – A number of the metrics referenced cannot be tracked globally, making their significance limited – and opening the possibility of skewing statistics depending on where a financial institution is based. Examples of this are included in Proposed Updates #2-15 and #2-27, which require gender breakdown globally and racial/ethnic breakdown in the U.S.

- *Absolute Numbers (vs. Relative Numbers)* – Throughout the review there is a focus on absolute numbers. Examples of this include Proposed Updates #2-5, #2-39 and #2-47, which propose disclosure of the number of customers affected by a data security breach, and Proposed Update #2-40, which references disclosure of legal and regulatory fines and settlements associated with disclosure, transparency or marketing. Larger institutions will likely settle for larger sums of money than smaller institutions, but those sums are not necessarily reflective of more egregious issues. (This concern around absolute numbers seems to be reflected in Proposed Update #2-31, where the number of inquiries or issues received by the legal and compliance office through an internal monitoring or reporting system was removed due to the lack in comparability.)

- *Redundancy* – Some metrics reference disclosure that is already available in the public domain. Examples of this include Proposed Update #2-9, which proposes disclosing G-SIB scores as a measure of systemic risk an institution poses, Proposed Update #2-25, which proposes activity metrics for key business activities, and Proposed Update #2-48, which references average daily volume and average daily number of trades. In all three cases, it is acknowledged in the supporting analysis that the information is already made publicly available. We would like to understand why some metrics already in the public domain are included in SASB standards while others are not (and whether the duplication is meant to be a statement on the relative importance of those metrics, or whether there's another reason why they are included).

- *Unclear Rationale* – In general, there is value to be gained in more succinctly describing the rationale for the proposed updates to ensure that the explanation is clear and – as much as possible – easy to understand.