Securities and Exchange Commission
100F Street, N.E.
Washington, D.C 20549-1090

17 June 2022

SEC proposed rule to enhance and standardise climate-related disclosures for investors

We refer to the Securities and Exchange Commission (SEC)'s consultation on proposed rules to enhance and standardise climate-related disclosures for investors, published on March 21, 2022. We welcome the opportunity to contribute our perspective.

Norges Bank Investment Management (NBIM) is the investment management division of the Norwegian Central Bank and is responsible for investing the Norwegian Government Pension Fund Global. We work to safeguard and build financial wealth for future generations. We are a globally diversified investor, with approximately USD 404 bn invested in listed equities and USD 137 bn in fixed income in the United States.[1]

Climate change may give rise to transition and physical risks, as well as opportunities for companies. How these are managed may impact their financial performance and thereby our long-term returns as a shareholder. Therefore, we expect companies to report on their exposure to climate-related risks and opportunities, how these are managed, and relevant performance metrics. We expect companies to disclose a strategy and implementation plan to address these risks, and to report on progress towards such plans.

We welcome the Commission's proposed rules, which we believe will lead to more consistent, comparable, and reliable climate-related reporting from companies, and thereby help investors get a better picture of companies' value. Better sustainability reporting can also contribute to well-functioning and efficient markets. Corporate disclosure increases market efficiency, and sustainability reporting has been associated with more accurate analyst forecasts and lower costs of capital for disclosing firms.

As we highlighted in our response to the Commission's Call for Input in 2021, investors such as NBIM need high quality climate-related disclosures from investee companies. This information helps inform our investment decisions by providing a more complete picture of enterprise value, our risk management processes and our ownership activities. It is also used in scenario analyses and calculation of our portfolio' s footprint. Ownership activities include dialogues with companies to understand how they are addressing financially relevant risks and

[1] as of 31 December 2021.

opportunities related to the transition to a low carbon economy, and voting at general meetings. We may, for example, decide to vote against the re-election of the board of directors on the grounds of particularly poor climate risk management. From a risk management perspective, within our mandate, we may divest from companies when their exposure to financial climate change risk is unacceptably high, thus posing a substantial financial risk to the fund in the longer term.

Please find below our answers to selected questions.

Q3. Should we model the Commission's climate-related disclosure framework in part on the framework recommended by the TCFD, as proposed?

We welcome the Commission's proposal to build on the Taskforce for Climate-related Financial Disclosures (TCFD) recommendations, which provide a logical and widely recognised framework for reporting financially relevant climate information.

Question 12. For the location of its business operations, properties or processes subject to an identified material physical risk, should we require a registrant to provide the ZIP code of the location or, if located in a jurisdiction that does not use ZIP codes, a similar subnational postal zone or geographic location, as proposed?

We welcome the proposed requirement for a registrant to include in its description of an identified physical risk the location of the properties, processes, or operations subject to the physical risk.

Q24. If a registrant has used carbon offsets or RECs, should we require the registrant to disclose the role that the offsets or RECs play in its overall strategy to reduce its net carbon emissions, as proposed? Should the proposed definitions of carbon offsets and RECs be clarified or expanded in any way? Are there specific considerations about the use of carbon offsets or RECs that we should require to be disclosed in a registrant's discussion regarding how climate-related factors have impacted its strategy, business model, and outlook?

We welcome this requirement, as investors need more transparency on how a company intends to achieve its decarbonisation targets. To assess the credibility of the company's climate plan, it is useful for investors to know to what extent the company is relying on offsets or RECs, as well as the company's views on any risks related to the reliance of offsets or tools that are not yet commercially deployed at scale. We also seek to understand whether the company is considering other environmental and social matters as part of its climate plan, such as impact on biodiversity and local communities.

26. Should we require registrants to disclose information about an internal carbon price if they maintain one, as proposed?

We welcome the Commission's proposal to require registrants to disclose information about any internal carbon price used in their investment and business planning. In our Expectation Document on Climate Change, addressed at company boards, we also suggest that companies disclose metrics such as capital expenditure on low carbon technologies, investments in low carbon R&D and emissions from land use change. We expect companies to provide a description of the methodologies used.

30. Should we require a registrant to disclose analytical tools, such as scenario analysis, that it uses to assess the impact of climate-related risks on its business and consolidated financial statements, and to support the resilience of its strategy and business model, as proposed?

Such reporting would be very useful. Companies should assess the sensitivity and resilience of their long-term profitability to different transition and physical climate scenarios, including a well below 2 degrees Celsius scenario. Companies should be transparent on their application of climate scenario analysis, including key economic, regulatory, technological and physical assumptions, as well as analytical methods, model outputs and sensitivity of results. We also expect transparency on how the results of the scenario analysis are interpreted and used by the company.

34. Should we require a registrant to describe, as applicable, the board's oversight of climate-related risks, as proposed?

Yes, we believe company boards are responsible for the oversight of climate-related risks and opportunities. Companies should explain where the responsibility lies at the board level and the frequency with which the board is informed about - and discusses - climate-related issues. For investors, it is important to understand how climate-related considerations are integrated into companies' strategic decision-making and risk management processes. Boards should describe how they oversee progress against companies' climate-related priorities and targets.

42. Should we require a registrant to describe its processes for identifying, assessing, and managing climate-related risks, as proposed?

Yes, in our view, companies should identify and include material short-, medium- and long-term climate change risks in a robust and integrated risk management framework. This should include appropriate processes for prioritising, mitigating, monitoring and reporting climate risks.

46. If a registrant has adopted a transition plan, should we require the registrant to describe the plan, including the relevant metrics and targets used to identify and manage physical and transition risks, as proposed? Would this proposed disclosure requirement raise any competitive harm concerns and, if so, how can we mitigate such concerns?

We welcome this important reporting requirement. If climate change presents material risks or opportunities for a company, it should disclose a strategy and implementation plan to address these, and report at least annually on progress towards such plans. A transition plan should ideally include science-based targets, as well as interim milestones and actionable steps the company is planning to take to reach its targets.

98. Should we require a registrant to disclose its Scope 3 emissions for the fiscal year if material, as proposed?

NBIM expects companies to monitor and disclose the emissions associated with their business operations and value chains. Emissions should be estimated in accordance with the Greenhouse Gas Protocol or other relevant industry standards and cover Scope 1, Scope 2 and material Scope 3 emissions.

As the Commission highlighted in its proposed rule, for many companies, Scope 3 emissions can represent the majority of their carbon footprint and would therefore be relevant for investors' analyses. Understanding a company's emission profile, including that of its value chain, is one element that helps us assess its exposure to climate-related risks, for instance its exposure to potential future climate regulation. For example, if a company's downstream Scope 3 emissions are high, then carbon regulation or changing consumer preferences could affect demand for the company's products. If a company's upstream Scope 3 emissions are high, then a carbon tax could impact the price and availability of the materials it is sourcing.

168. Should we require a registrant to disclose whether it has set any targets related to the reduction of GHG emissions, as proposed? Should we also require a registrant to disclose whether it has set any other climate-related target or goal, e.g., regarding energy usage, water usage, conservation or ecosystem restoration, or revenues from low-carbon products, in line with anticipated regulatory requirements, market constraints, or other goals, as proposed? Are there any other climate-related targets or goals that we should specify and, if so, which targets or goals? Is it clear when disclosure under this proposed item would be triggered, or do we need to provide additional guidance? Would our proposal discourage registrants from setting such targets or goals?

Yes, as an investor, we need to know if a company has set any short-, medium-, and long-term emission reduction targets. This allows investors to assess companies' readiness for the climate transition. Therefore, we welcome the disclosure requirements proposed by the Commission.

We also expect companies to disclose information on a broader range of sustainability-related issues, and associated targets they may have set. For instance, we ask companies to disclose goals and targets related to biodiversity and ecosystems, where applicable.

170. Should we require a registrant to discuss how it intends to meet its climate-related targets or goals, as proposed? Should we provide examples of potential items of discussion about a target or goal regarding GHG emissions reduction, such as a strategy to increase energy efficiency, a transition to lower carbon products, purchasing carbon offsets or RECs, or engaging in carbon removal and carbon storage, as proposed? Should we provide additional examples of items of discussion about climate-related targets or goals and, if so, what items should we add? Should we remove any of the proposed examples of items of discussion?

We welcome the Commission's proposal. It is important for investors to understand the company's targets or goals, and whether these are aligned with emerging standards. We also seek to understand the company's levers for achieving its climate-related goals. We expect longer-term ambitions (e.g. net zero by 2050) to be supported by short- and medium-term targets.

189. An International Sustainability Standards Board (ISSB) has recently been created, which is expected to issue global sustainability standards, including climate-related disclosure standards. If we adopt an alternative reporting provision, should that provision be structured to encompass reports made pursuant to criteria developed by a global sustainability standards body, such as the ISSB? If so, should such alternative reporting be limited to foreign private issuers, or should we extend this option to all registrants? What conditions, if any, should we place on a registrant's use of alternative reporting provisions based on the ISSB or similar body?

NBIM supports the ISSB's mission to develop a comprehensive global baseline of corporate sustainability disclosures and hope that its upcoming standards will be recognised globally as the reference standards for reporting financially-material sustainability information. As a global investor, with holdings in companies in 71 different countries, we have a clear interest in this information being reported in a consistent and comparable manner across markets.

We believe it would be helpful for both investors and reporting companies if the Commission were to allow foreign private issuers to use the *IFRS Climate-related Disclosures* standard to meet their climate-reporting obligations, given the level of consistency between the Commission's proposed rule and the ISSB's exposure draft. Furthermore, the Commission could also consider referring to the *IFRS General Requirements for Disclosure of Sustainability-related Financial Information* for company reporting on material sustainability issues other than climate change.

Yours sincerely,

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