



NORGES BANK
INVESTMENT MANAGEMENT

CDP
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Date: 28.04.2017

Letter and feedback form sent by email to: reimagine@cdp.net

Consultation on Reimagining Disclosure Initiative

We refer to the public consultation of March 2017 on the CDP Reimagining Disclosure Initiative. Norges Bank Investment Management is the investment management division of the Norwegian Central Bank and is responsible for investing the assets of the Norwegian Government Pension Fund Global (“the fund”).

The fund is a long-term, global investor with minority equity holdings in publicly listed companies and investments in listed fixed income instruments and unlisted real estate. The fund benefits from corporate transparency on relevant non-financial matters. Improving the availability of material, non-financial information of sufficient quality, remains a priority for us. As part of the responsible investment activities of the fund, we have considered the climate change, water and deforestation topics for a number of years.

Norges Bank Investment Management responded to the consultation on CDP’s water programme in 2013 and climate change questionnaire in 2015, and welcomes this opportunity to provide comments to the CDP Reimagining Disclosure Initiative. We value CDP’s efforts to promote effective climate, water, and forestry related disclosures and provide a depository for companies’ sustainability information. We support the ambition behind the proposed revisions to reduce the reporting burden on companies, increase the relevance of environmental data to investors, and improve its quality, alignment with prevailing standards, and consistency. We would like the CDP disclosures to focus on material and quantitative information – collated in a format readily available for investor analysis.

A disclosure platform for the implementation of the recommendations of the FSB Task Force on Climate-related Financial Disclosures (TCFD)

The development of an overarching framework for the reporting and assessment of climate risks is a priority for many investors. We believe materiality should be the starting point for climate-related financial disclosures.

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The final TCFD recommendations, if broadly adopted, will result in a consistent reporting regime for financial climate risks across jurisdictions and standards, and, as relevant, sectors and asset classes. We think CDP should align its disclosure requests with the final TCFD recommendations as much as possible. In doing so, it would provide a useful platform to companies in their adoption of the TCFD recommendations.

The TCFD's structuring of recommendations around governance, strategy, risk management, and metrics and targets is broadly in line with Norges Bank Investment Management's climate change and water expectation documents. We believe that this structure could be adopted by CDP to improve consistency of reporting across all three programmes. Similarly, we believe that qualitative information needs to be supplemented by quantitative metrics illustrating companies' commitment and performance over time. The TCFD recommendations highlighted such relevant metrics and targets in its general guidance as well as in the technical sector supplements. CDP could assess and feed this guidance into its new platform, enabling the collection and distribution of such data in a standardised manner.

Finally, the introduction by the TCFD of scenario analysis for GHG-intensive businesses would result in forward-looking assessments of strategic plans, evolving risks, and opportunities. The recommendation for such assessments of business models' vulnerability or resilience to physical risks and transition risks induced by climate change is useful and should be incorporated in the CDP survey. In addition to promoting harmonisation, CDP's value-added contribution could be to provide investors and companies with succinct summaries of the main assumptions underlying climate change scenarios for sectors where this is relevant. Transparency on key underlying assumptions is necessary for investors to understand climate risks.

Sector approach and materiality

Norges Bank Investment Management believes that sector-specific questionnaires will elicit a deeper understanding of the operational challenges and risks facing companies. In its phase II report, the TCFD provided useful sector guidance, which should be reflected in the sector approach currently considered by CDP. Focusing on the most relevant sector indicators would enable the simplification of the disclosure requests, reducing the reporting burden on companies while still capturing complex information. Particularly, the sector approach should enable CDP to reduce the number of general questions. In the feedback form, we highlighted the data points we would like CDP to consider further for eventual inclusion into its questionnaires. Occasionally we highlighted more than one data point per field in our feedback; CDP should strive to combine related indicators for brevity and relevance.

The selection of additional metrics for the selected sectors in the Reimagining Disclosure Initiative should reflect the materiality of such risk factors or opportunities for the industry considered. We believe that good disclosure practices would capture the more material elements of corporate sustainability policies and performance metrics.

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We note that not all the new data points CDP proposed are “data points”, but they discuss more qualitative aspects of corporate sustainability policies. CDP could refer to the International Integrated Reporting Framework for further guidance on materiality.

Tiered approach

The TCFD recommendations include areas where methodologies are nascent and where data may not presently exist at the appropriate level of granularity. From a corporate governance point of view, we believe that it is important that companies and their boards be allowed to develop considered responses to relevant sustainability challenges. We envisage that corporate sustainability strategies and reporting will develop over time, and a tiered approach to CDP’s questionnaires will reduce the initial reporting complexities for participating companies. Similarly, a tiered approach to scoring would give flexibility to companies to improve their practices and methodologies, potentially increasing disclosure rates and quality over time.

Shared learning and industry input

Norges Bank Investment Management believes consolidation and harmonisation of sustainability reporting around well-founded and recognised frameworks are in the interests of companies and investors alike. We also emphasise shared learning and industry input. The understanding of climate science, and of how business and environmental issues may be linked, is developing, as are the regulatory responses to many environmental challenges. CDP is most valuable to investors if adoption is broad, indicators material and the data format actionable. The main objective of this round of revision of the CDP questionnaires should be to deliver a framework, process and content that is investor-relevant and is recognised as purposeful by participating companies.

There appears to be some overlap or repetition in some of the new indicators proposed by CDP in the consultation questionnaire. Based on the consultation comments, CDP should aim to reduce the amount of final new data points in the questionnaires and critically assess existing questions. We recommend that CDP provides a summary of feedback gathered during this first phase of the consultation as a basis for the work during the second phase. We look forward to participating in the further work of the CDP Reimagining Disclosure Initiative.

Yours sincerely,



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CIO Equity Strategies



Wilhelm Mohn

Head of Sustainability Initiatives

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