



NORGES BANK
INVESTMENT MANAGEMENT

UK Transition Planning Taskforce
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Transition Planning Taskforce Disclosure Framework

Norges Bank Investment Management (NBIM) welcomes the public consultation on the proposed Disclosure Framework and Implementation Guidance of the UK Transition Planning Taskforce (TPT), to which we responded online.

Norges Bank Investment Management is the investment management division of the Norwegian Central Bank (Norges Bank) and is responsible for investing the Norwegian Government Pension Fund Global. We work to safeguard and build financial wealth for future generations. As a long-term, global investor, we consider our returns to be dependent on sustainable development in economic, environmental and social terms.

Climate change gives rise to transition and physical risks and opportunities for our portfolio companies. How these are managed will influence our long-term returns. We expect companies to integrate relevant climate change risks and opportunities into their corporate strategy, risk management and reporting. We support effective climate disclosure, as this enables a better understanding of companies' exposure to climate-related risks and contributes to efficient markets and sustainable market outcomes. In particular, we expect portfolio companies to disclose a net zero transition plan to address climate change risks and opportunities, and to align their disclosures with applicable reporting standards such as the TCFD recommendations. We note that existing company disclosure often falls short of this expectation, and therefore welcome the efforts of the UK's Transition Planning Taskforce in establishing a detailed framework for companies' transition plan disclosures, aimed at informing future UK regulation.

In our view, transition plans should cover short-, medium- and long-term emission reduction targets for scope 1, scope 2 and material scope 3 emissions. We welcome that the TPT Disclosure Framework includes detailed disclosure on GHG emission reduction targets. However, we note that the disclosure recommendation on objectives and priorities (1.1) seems to allow an entity to exclude a relevant scope or category of emissions from its GHG reduction targets, if the entity states the reason for doing so and outlines the steps it is taking to enable target-setting for the excluded scopes. We believe that the disclosure recommendation could allow for exclusion of scope 3 from an entity's targets in this manner, but leave no optionality for excluding scope 1 or 2 emissions since these can more readily be

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influenced by an entity. We also suggest that the framework refers to third party verification and science-based targets, as this information is helpful to assess the credibility of transition plans and compare them.

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. Building on widely accepted scenario models, companies should identify future potential climate regulations, technological developments and market conditions of relevance to their business. Companies should also be transparent in their application of climate scenario analysis, including key economic, regulatory, technological and physical assumptions. We therefore suggest that the TPT Disclosure Framework specifically refers to climate scenario analysis as a key tool for companies to assess their climate resilience, noting that this will be a requirement of the forthcoming IFRS Climate-related Disclosure Standard S2 and that the future UK framework based on TPT aims at building on the International Sustainability Standards Board (ISSB) baseline. While we acknowledge that the Technical Annex of the Implementation Guidance encourages companies to perform scenario analysis as part of their transition planning process, the disclosure recommendation on Sensitivity Analysis (2.5) could be broadened to encourage disclosure of the method of scenario analysis used by the companies, the scenarios used and scope of operations covered, as well as how the results are being interpreted and considered by the company.

We would like to reiterate the importance of the UK Transition Planning Taskforce Disclosure Framework to align and feed into other international initiatives in this space. We welcome the high degree of alignment with the TCFD and IFRS Exposure Draft S2, and the explicit intention that future UK regulation drawing on the TPT will apply and build on the baseline provided by the ISSB. International alignment and interoperability of corporate disclosure on climate transition planning is essential for multinational companies, and for global investors like NBIM who need comparable information to assess the plans of their portfolio companies. We therefore strongly encourage the TPT to cooperate with fellow standard-setters and regulators, both at the international level through IOSCO and bilaterally, in order to enhance the consistency and comparability of transition planning disclosure regimes.

We appreciate your willingness to consider our perspective, and we remain at your disposal should you wish to discuss these matters further.

Yours sincerely,

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Chief Governance and Compliance Officer

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Definition

The TPT framework includes a definition of a transition plan. How would you describe this definition?

- a) **The definition is complete and provides a sound basis for transition planning**
- b) Overall, the definition provides a sound basis for transition planning, but there are relevant omissions
- c) The definition does not provide a sound basis for transition planning
- d) Don't know

Where and how to disclose: user feedback

In both the TPT framework and the implementation guidance, we recommend that entities:

- a) Publish a standalone transition plan,
- b) Update the standalone transition plan at least every three years or sooner where there have been substantive changes, and
- c) Report progress against the plan and all other content in the plan that is deemed to be material to investors, consistent with corporate reporting norms, as part of annual TCFD- or ISSB-aligned disclosures in general purpose financial reporting.

If your entity is a user of transition plans, how helpful do you find these recommendations?

- a. Publish a standalone transition plan
 - Very helpful
 - **Helpful**
 - Neither helpful nor unhelpful
 - Unhelpful
 - Not sure

Please explain your selection for a, including by providing relevant information on the drawbacks and benefits of using a standalone plan:

Material information related to the transition plan should be included in general purpose financial reporting, and subject to the same internal governance and verification as financial information. However, we agree that a standalone transition plan could be helpful for a wider set of stakeholders and from a user-friendliness perspective, and to enhance transparency. It is however important for the standalone transition plan to be subject to similar internal governance standards.

- b. Update the standalone transition plan at least every three years
 - **Very helpful**
 - Helpful
 - Neither helpful nor unhelpful
 - Unhelpful
 - Not sure



Please explain your selection for b, including by providing relevant information on the drawbacks and benefits of using a standalone plan that is periodically updated:

We agree with requiring an update at least every three years. A longer period would not be compatible with the requirement for entities to report on interim targets, and therefore hinder accountability.

- c. Report progress against the plan and all other material content, consistent with corporate reporting norms, as part of annual TCFD- or ISSB-aligned disclosures
- **Very helpful**
 - Helpful
 - Neither helpful nor unhelpful
 - Unhelpful
 - Not sure

Please explain your selection for c, including by providing relevant information on the drawbacks and benefits of accessing transition plan related information in general purpose financial reporting:

Material information and progress against the plan should be part of annual disclosures in general purpose financial reporting, to ensure the information is subject to the same internal governance and verification procedures and to meet the information needs of financial reporting users. We expect a significant part of the information included in the standalone transition plan to be financially material, and therefore relevant to providers of capital and other users of general purpose financial reporting. We note that the International Sustainability Standards Board recently decided to align the definition of materiality to the one used in IFRS Accounting Standards. The IFRS definition of materiality and the S1 Implementation Guidance will assist companies in their identification of the material information about sustainability risks and opportunities, including those related to climate change, and will therefore be helpful in guiding companies' assessment on what information needs to be disclosed as part of general purpose financial reporting.

The Framework: Overall

In the TPT Disclosure Framework we set out recommendations for entities to report against five elements and 19 sub-elements of a transition plan. Do you agree with the overall framework? Please note that there will be a chance to provide feedback on the disclosure recommendations for individual sub-elements.

- a) Yes, I agree with the overall framework
b) **Yes, I broadly agree with the overall framework, but I have comments or suggestions**
c) No, I do not agree with the overall framework

If b) or c) please explain why you gave that answer:



We think that the overall framework is useful and well designed, but would suggest some refinements, such as the addition of science-based targets. Validation of targets by the Science Based Targets initiative or another third party provides credibility on entities' transition plans. We also believe that the disclosure recommendation should leave no optionality for excluding scope 1 and 2 emissions from an entity's emission reduction targets, and that the framework should explicitly refer to scenario analysis as a key tool for companies to assess their climate resilience.

The Framework: User Feedback

In the TPT Disclosure Framework we provide disclosure recommendations aimed to assist entities to disclose credible, useful, and consistent transition plans. If you regard yourself as a user of transition plans, please assess the extent to which you expect disclosures in line with our recommendations to be useful for informing your decisions:

		Very useful	Useful	Not useful	Don't know	Explanation
Foundations	1.1 Objectives and priorities	X				
	1.2 Business model implications	X				
Implementation strategy	2.1 Business planning and operations	X				
	2.2 Products and services	X				
	2.3 Policies and conditions		X			
	2.4 Financial Planning	X				
	2.5 Sensitivity Analysis	X				
Engagement strategy	3.1 Engagement with value chain	X				<i>Information on an entity's engagement with its value chain can be very useful to assess its scope 3 emission reduction targets, especially in sectors where they represent the majority of an entity's emissions.</i>





	3.2 Engagement with industry		X			
	3.3 Engagement with government, public sector and civil society		X			
Metrics and targets	4.1 Governance, business and operational metrics and targets	X				
	4.2 Financial metrics and targets	X				
	4.3 GHG emissions metrics and targets	X				
	4.4 Carbon credits	X				
Governance	5.1 Board oversight and reporting		X			
	5.2 Roles, responsibility and accountability		X			<i>Information on corporate procedures and decision-making processes is important to assess how governance supports the execution of the business strategy, including the transition plan. Information on skills and technical knowledge at board level from disclosure 5.2 supports this assessment.</i>
	5.3 Culture		X			
	5.4 Incentives and remuneration		X			
	5.5 Skills, competencies and training		X			





The Framework: suggestions

Where relevant, how would you suggest we change the disclosure recommendation for **1.1 objectives and priorities**:

We welcome this disclosure recommendation, which covers the entity's high-level objectives and priorities of its transition plan and therefore constitutes essential information for the users of such information. However, we note that the disclosure recommendation seems to allow an entity to exclude a relevant scope or category of emissions from its GHG reduction targets, if the entity states the reason for doing so and outlines the steps it is taking to enable target-setting for the excluded scopes. We believe that the disclosure recommendation should only allow for exclusion of scope 3 from an entity's targets, but leave no optionality for excluding scope 1 or 2 emissions since these can be more readily influenced by an entity.

Where relevant, how would you suggest we change the disclosure recommendation for **1.2 Business Model Implications**:

We welcome the recommendation to disclose a summary assessment of the entity's material interdependencies, including significant risks and opportunities for the natural environment and for stakeholders including the workforce, suppliers, impacted communities and customers, as well as the description of the actions the entity is planning or taking to mitigate related significant risks.

Where relevant, how would you suggest we change the disclosure recommendation for **2.1 Business planning and operations**:

We welcome the reference to plans and timelines for managing or phasing out energy-intensive assets, as well as the recommendation to define the short-term as within the next three years. We note however that quantification of the contribution of each business and operational action towards achieving the entity's objectives and priorities might be challenging to include in disclosure, so we welcome the option for entities to provide a qualitative description when quantification is not possible. We would also like companies to show the expected contribution to their decarbonisation strategy of asset sales/divestments/spin-offs, as well as natural/organic depletion of existing fossil fuels assets. These provide important insights into real-world emissions reductions, which may not always overlap with corporate GHG boundaries.

Where relevant, how would you suggest we change the disclosure recommendation for **2.2 Products and Services**:

N/A

Where relevant, how would you suggest we change the disclosure recommendation for **2.3 Policies and conditions**:



We welcome that the disclosure recommendation suggests entities provide information on policies related to climate-related requirements for suppliers, as this is likely to be essential for delivering on scope 3 emission reduction targets.

Where relevant, how would you suggest we change the disclosure recommendation for **2.4 Financial planning:**

We particularly welcome disclosure of internal carbon pricing and expected capital expenditure needs towards the climate transition. We also welcome disclosure on planned research and development activities for climate solutions, and suggest that this information could be enhanced by disclosure on planned R&D expenditure targets alongside activities.

Where relevant, how would you suggest we change the disclosure recommendation for **2.5 Sensitivity Analysis:**

We believe it would be helpful for this recommendation to explicitly refer to scenario analysis as a method that companies should use in assessing climate-related risks and opportunities, as a prerequisite to testing the sensitivity of their plans to a range of assumptions and dependencies. Scenario analysis is a key component of the TCFD recommendations, and similarly of the forthcoming IFRS Climate-related Disclosures Standard S2, which requires entities to assess their climate resilience using a method of scenario analysis commensurate with their circumstances. While we do acknowledge that the TPT considers sensitivity analysis as a separate activity to be performed at a later stage compared to scenario analysis, as per the Implementation Guidance, clarification that scenario analysis is recommended should in our view be directly included in the Disclosure Framework. Among key assumptions to be disclosed, we welcome the explicit reference to assumptions in client and consumer demand, which we believe do not often receive enough attention from companies in their transition planning.

Where relevant, how would you suggest we change the disclosure recommendation for **3.1 Engagement with value chain:**

We welcome the disclosure recommendation on engagement with the value chain, which is essential for companies to achieve their indirect emission reduction targets. We suggest the recommendation also calls for disclosure of aggregate information on the emission reduction targets that companies in the entity's value chain have set (e.g. how many companies in an entity's supply chain have set an emissions reduction target, and how much of the entity's scope 3 emissions these targets cover). We also suggest strengthening the recommendation to include targets that an entity might have set for its engagement with suppliers, for instance a specific emission reduction target for their supply chain.

Where relevant, how would you suggest we change the disclosure recommendation for **3.2 Engagement with industry:**

Companies should have policies or guidelines for engaging with policymakers and regulators on climate change and related topics, and should be transparent about relevant associated



spending and activities, as highlighted in our expectation document on climate change for companies in our portfolio. Companies should also review their membership of industry associations and interest groups on a regular basis, and assess whether the advocacy positions on climate policy held in industry associations are aligned with their own positions. We note that information about companies' engagement with industry peers, including advocacy activities conducted through trade associations, is often missing or incomplete, and therefore support this recommendation to achieve better disclosure of companies' support for industry groups or other initiatives seeking to influence climate regulation or policy.

Where relevant, how would you suggest we change the disclosure recommendation for **3.3 Engagement with government, public sector and civil society:**

Please see our comment to the question above. In addition, we believe this disclosure recommendation could helpfully cover engagement with impacted communities, especially vulnerable groups like indigenous peoples, that an entity might conduct as part of the operationalisation of its transition plan. While we do acknowledge that assessment of interdependencies including impact on communities is covered by disclosure recommendation 1.2 (Business model implications) and 2.3 (Policies and conditions), we believe that this recommendation covering engagement with civil society could be made more specific by referring to the communities impacted by an entity's transition-related actions.

Where relevant, how would you suggest we change the disclosure recommendation for **4.1 Governance, business and operational metrics and targets:**

We encourage the TPT to target the disclosure recommendations more closely to the type of governance, business or operational metrics that an entity might set. The current recommendation refers to whether the target is an absolute or intensity one, and to reliance on measures vs. estimated data, which seems to be suited for GHG emissions targets but might not be relevant for each governance, business or operational target. For example, reliance on measured vs. estimated data might not be relevant for a governance target linked to the climate-related expertise of board or management members, or a business target linked to the development of a new product or service line. The recommendation could be edited to clarify that these sub-elements would need to be disclosed only where relevant to the target at hand.

Where relevant, how would you suggest we change the disclosure recommendation for **4.2 Financial metrics and targets:**

Similarly to our comment above, we recommend editing the disclosure recommendation to clarify that the prescribed disclosure might not apply to all financial targets. Reliance on measured vs. estimated targets for instance might not be relevant to a hypothetical financial target linked to capital or R&D expenditure.

Where relevant, how would you suggest we change the disclosure recommendation for **4.3 GHG emissions metrics and targets:**



We suggest that the disclosure recommendation is changed to require information on whether GHG emission reduction targets are science-based and verified by a third party. This information is helpful in assessing the credibility of transition plans and net zero targets, and we encourage disclosure of SBTi validation where available or other third-party verification.

Where relevant, how would you suggest we change the disclosure recommendation for **4.4 Carbon credits:**

The recommendation could be changed to require information on the regional breakdown of an entity's purchased carbon credits, or whether they are domestic or international. This information would be helpful to understand economy-wide emissions relative to Nationally Determined Contributions (NDCs) and the cross-border "flow of emissions", which helps assessing the extent to which an entity might be vulnerable to tightening climate-related policy related to offsets and emissions trading as countries progress in the implementation of their national targets.

Where relevant, how would you suggest we change the disclosure recommendation for **5.1 Board oversight and reporting:**

N/A

Where relevant, how would you suggest we change the disclosure recommendation for **5.2 Roles, responsibility, and accountability:**

Information on internal control, review and accountability mechanisms is useful to evaluate the governance of the plan and would help ensure that the information in the plan is subject to similar internal governance and verification processes as financial information.

Where relevant, how would you suggest we change the disclosure recommendation for **5.3 Culture:**

N/A

Where relevant, how would you suggest we change the disclosure recommendation for **5.4 Incentives and Remuneration:**

Incentives and executive remuneration should support the long-term success of the company and thereby serve to align the interests of decision makers with those of the shareholders. We welcome transparency on remuneration schemes and performance criteria, as this is key to understand the priorities set by the board. On the inclusion of transition-related KPIs in executive remuneration, we believe that annual bonus schemes are better suited to setting specific performance criteria compared to long-term incentive plans. The latter should in our view be tied to long-term exposure to the company's shares in a simple and transparent manner, and how a company manages its climate transition plan is expected to impact the stock performance over the 5-10 years' timeframe that we recommend for the lock-in of CEO incentive stock plans.



Where relevant, how would you suggest we change the disclosure recommendation for **5.5 Skills, Competencies and Training:**

N/A

Is there any other comments that you would like to provide on the TPT Disclosure Framework?

We would like to reiterate the importance of the UK Transition Planning Taskforce and Disclosure Framework to align and feed into other international initiatives in this space. We acknowledge and welcome the high degree of alignment with the TCFD and IFRS Exposure Draft S2, as well as the fact that the TPT framework builds on the work of the Glasgow Financial Alliance for Net Zero. The mapping of the suggested TPT disclosure recommendations against the TCFD Transition Plan Guidance and the IFRS S2 Exposure Draft in the Technical Annex of the Implementation Guidance, showing the additionality of the UK's envisaged framework compared to the latter, is a very welcome element in this regard. International alignment of corporate disclosure on transition planning is essential for multinational companies, and for global investors like NBIM who need comparable information to assess the plans of their portfolio companies. We therefore strongly encourage the TPT to cooperate with fellow standard-setters and regulators, both at the international level and in other jurisdictions, aiming to enhance the consistency and comparability of transition planning disclosure regimes.

Furthermore, the TPT could consider encouraging entities' disclosure of carbon abatement costs. CPP Investments for example recently proposed a standardized template for reporting corporate abatement capacity, based on a division of emissions by scope, economic viability of abatement, and the categories of abatement measures. Comparable disclosure of corporate abatement costs can help investors assess the credibility of entities' decarbonisation plans and how their implementation could change the financial characteristics of a company.

Overall Feedback

Is there any additional information that you would like to communicate to the TPT about these consultation documents?

Your information

Where is your organisation headquartered? [Kindly note that this information will be treated as confidential]

Oslo, Norway

What is the name of your organisation? [Kindly note that this information will be treated as confidential]

Norges Bank Investment Management



Has your organisation developed and disclosed a transition plan?

- Yes, my organisation has disclosed a transition plan.
- No, my organisation has developed an internal transition plan that it is planning to disclose it in the next year.
- No, my organisation has developed an internal transition plan that it is not planning to disclose.
- **No, my organisation has not developed a transition plan.**
- Don't know.

Is your organisation planning to prepare and disclose a transition plan?

- Yes, my organisation is planning to prepare and disclose a transition plan.
- Yes, my organisation is planning to prepare a transition plan, but not planning to disclose it.
- **No, my organisation is not planning to prepare a transition plan.**
- Don't know.

If the TPT Secretariat has follow-up questions, may we contact you?

- **Yes**
- No