PGIM | The Global Investment Management Businesses of Prudential Financial, Inc.

June 13, 2021

Ms. Vanessa Countryman
Secretary
US Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

RE: Response to the Request for Public Input by the Securities and Exchange Commission (the "Commission")

Dear Ms. Countryman:

PGIM submits this letter in response to the Commission's request for public input on climate-related disclosure issued by Acting Chair Allison Herren Lee on March 15, 2021 (the "Commission's Request").[1] PGIM supports the Commission's engagement on climate-related disclosure and is pleased to have the opportunity to respond to selected portions of the Commission's Request.

PGIM is the investment management business of Prudential Financial, Inc. ("PFI").[2] The PGIM investment management businesses include PGIM Fixed Income, PGIM Real Estate, PGIM Private Capital, Jennison Associates LLC, PGIM Investments LLC, QMA LLC and PGIM Global Partners.[3] PGIM's assets under management as of March 30, 2021 were $1.5 trillion.

In addition to meeting investor and client interest in socially and environmentally responsible investment options, assessing the impact climate-related issues may have on an investment has increasingly become a standard part of investment analysis and a consideration for many investors. The variability that currently exists in company approaches to climate-related disclosure inhibits the ability for investors to analyze and compare investments. Consistent and robust disclosure of

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[1] *Public Input Welcomed on Climate Change Disclosures*, Acting Chair Allison Herren Lee (Mar. 15, 2021), available at https://www.sec.gov/news/public-statement/lee-climate-change-disclosures.
[2] The views expressed herein are PGIM's views and not necessarily reflective of PFI's views. "We", "PGIM" and "Us" as used herein refers to PGIM.
[3] Each of PGIM Fixed Income, PGIM Real Estate and PGIM Private Capital operates through PGIM, Inc. and each also maintains global operations through certain non-US based entities. "QMA LLC" refers to QMA LLC and QMA Wadhwani LLP.

climate-related information and data may help investors better analyze climate-related risks and opportunities associated with such investments. In addition, proper disclosure would provide investors with the data to vote proxies, as necessary, and provide accurate disclosures on climate-related risks and opportunities for clients.

RESPONSES

Our responses to the Commission's Request are outlined below and cover the following questions:

A. How can the Commission best regulate, monitor, review, and guide climate change disclosures? Where and how should climate change disclosure be provided?

B. Are there any specific frameworks that the Commission should consider? If so, which frameworks and why?

C. What information related to climate risk can be quantified and measured?

D. What are the advantages and disadvantages of establishing different climate change reporting standards for different industries?

A. How can the Commission best regulate, monitor, review, and guide climate change disclosures? Where and how should climate change disclosure be provided?

The Commission asked for comments on "how the Commission can best regulate, monitor, review, and guide climate change disclosures while also providing greater clarity to registrants as to what is expected of them."[4] PGIM is supportive of the Commission adopting a uniform and harmonized disclosure framework that requires companies to provide relevant and consistent disclosure for investors. PGIM supports a principles-based approach to climate-related disclosure that establishes baseline disclosure of qualitative and quantitative information across all industries and sectors, as discussed in more detail below.

While we are supportive of baseline disclosures, we recognize that climate-related data and reporting continues to evolve, and we encourage the Commission to approach regulation in a manner that will help foster the enhancement and quality of disclosure.

[4] Commission's Request, Question 1.

The Commission also asked "where and how such disclosure should be provided."[5] In order to help facilitate more robust disclosure and discussion of climate-related factors, PGIM supports the Commission permitting companies to provide sustainability and climate-related disclosure in any widely disseminated, publicly available manner. Specifically, PGIM would be supportive of disclosure being provided outside of a company's Form 10-K. The Commission should consider that a company may be more inclined to include more robust disclosure and information if not subject to the strict liability standard of Form 10-K disclosure.

Regardless of the format of disclosures, it is important that the information provided be relevant, easy to find in the disclosure vehicle, and accompanied by qualitative context to support investor interpretation of the information and to ensure that such disclosure is not misleading.

B. What information related to climate risk can be quantified and measured?

The Commission asked for comments on "what information related to climate risk can be quantified or measured."[6] The PGIM managers utilize a number of tools, processes and methodologies to analyze climate risks and opportunities and rely on both quantitative data and qualitative information. Quantitative data is used by investors to understand, assess and, to the extent possible, manage exposure to physical and transition risks associated with climate-related issues, as well as identify investment opportunities. Relevant, consistent, comparable, and reliable company disclosures would help in this analysis.

While PGIM is supportive of a principles-based approach, certain standard elements may ensure comparability, consistency, and completeness of disclosure. We respectfully request that any framework adopted by the Commission include the following quantitative elements as baseline mandated disclosure:

- Scope 1 and Scope 2 Greenhouse Gas ("GHG") Emissions:[7] Scope 1 and Scope 2 emissions are disclosed by many, but not all, companies. Such disclosures would provide investors with comparable, consistent GHG emissions related data and help investors evaluate whether a company is adapting its business operations and strategic goals to maximize climate-related opportunities and mitigate climate-related risks.

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[5] Commission's Request, Question 1.

[6] Commission's Request, Question 2.

[7] Scope 1 emissions "are direct GHG emissions that occur from sources that are controlled or owned by an organization (e.g., emissions associated with fuel combustion in boilers, furnaces, vehicles). Scope 2 emissions are indirect GHG emissions associated with the purchase of electricity, heat, or cooling." U.S. Environmental Protection Agency, EPA Center for Corporate Climate Leadership, Scope 1 and Scope 2 Inventory Guidance, available at https://www.epa.gov/climateleadership/scope-1-and-scope-2-inventory-guidance.

- Decarbonization Targets: A company's decarbonization targets, where these exist, help identify and assess company priorities related to GHG emission reduction goals. Disclosure of decarbonization targets and their key parameters (e.g. base year; target year; type of target, such as intensity or absolute emissions, percentage of emissions covered; etc.) would provide helpful information about the steps a company is taking to reduce its emissions.

- Assets with Heightened Physical Risk: Potential risks to physical assets, property and critical operations due to climate-related impact (such as coastal areas or areas vulnerable to wildfires) are helpful in analyzing a company's risk profile. Where relevant and material, this should include exposure to physical infrastructure via the supply chain.

In addition to baseline quantitative disclosures, PGIM also supports the inclusion of baseline qualitative disclosures. While quantitative information shows a company's current position, qualitative information can be helpful to understand a company's approach to managing climate-related risks and opportunities and explain their goals and targets. Qualitative disclosure could include disclosure of board practices related to the oversight of climate-related financial risks and opportunities and management's role in assessing and managing climate-related financial risks and opportunities. This is aligned with the framework by the Task Force on Climate-Related Financial Disclosures ("TCFD").[8]

Qualitative disclosure is also an important supplement to quantitative disclosures on decarbonization targets. It is important that management explain how the company intends to achieve its targets, including how this is reflected in its capital expenditure planning and which technologies it will need to invest in to meet its targets. Similarly, qualitative disclosure is a helpful supplement to quantitative disclosure around any significant physical risks, particularly around how these risks are being managed (e.g. investment in resilience measures, insurance, diversification of supply chains, etc.).

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[8] TCFD published a framework in 2017 guiding companies on how to provide disclosure regarding governance of climate-related risks and opportunities; actual and potential impacts of climate-related risks and opportunities on the company's businesses, strategy, and financial planning, where such information is material; means by which the company identifies, assesses, and manages climate-related risks and how these are integrated into an overall risk management framework; and metrics and targets used to assess and manage relevant climate-related risk and opportunities, where such information is material.

C. Are there any specific frameworks that the Commission should consider? If so, which frameworks and why?

PGIM supports a harmonized approach to global regulatory standards related to ESG, and more specifically as it relates to the Commission's Request, climate-related disclosure.[9] Harmonized regulatory approaches would be helpful and efficient for global asset managers, investors and for companies that operate and issue securities in multiple jurisdictions. To best achieve a harmonized approach, we believe that the Commission should consider leveraging existing frameworks including elements from the TCFD framework and the Sustainability Accounting Standards Board ("SASB") framework. Any adopted approach and requisite disclosure requirements could also be proportionate to issuer-level climate risk exposure and the company's size and resources.

In addition, PGIM supports the Commission's participation as a member of the International Organization of Securities Commissions ("IOSCO"), to promote a minimum global standard and to seek harmonization between any Commission standards and the sustainability disclosure standards that the International Financial Reporting Standards Foundation is working on in cooperation with IOSCO.

D. What are the advantages and disadvantages of establishing different climate change reporting standards for different industries?

The Commission asked whether there are "advantages and disadvantages of establishing different climate change reporting standards for different industries."[10] Given that climate-related risks and opportunities vary considerably on an industry by industry basis, we think that there are significant advantages to having industry and sector-specific focused standards. Such standards would provide for more efficient comparison between companies on key data points that reflect metrics and variables unique to their segment of the economy. For example, specifically for climate-related disclosures, the percentage of total power generation from fossil fuel and renewable sources would be highly relevant for assessing climate risk/opportunity of utilities and percentage of sales of clean energy vehicles and average fleet fuel efficiency would be helpful for assessing climate risks/opportunities of auto manufacturers. To achieve this goal, as a starting point, the Commission could consider the application of the SASB framework for industry specific information. The SASB framework includes a set of 77 industry-specific standards that identify the minimal set of financially material sustainability information and associated metrics for the typical company in an industry.

In addition, consideration should be given to the establishment of a committee of relevant market participants to advise on industry and sector specific metrics and materiality. Technical groups of

[9] Commission's Request, Question 9.
[10] Commission's Request, Question 4.

experts, on an industry by industry basis, could help facilitate the quick adoption of disclosure standards while taking a more nuanced approach to disclosure depending on the sector and industry.

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We appreciate the opportunity to submit comments on this initiative. If you have any questions or need additional information, please contact Eugenia Jackson [redacted] or Kathleen DeNicholas [redacted].

Sincerely,

David Hunt
President and Chief Executive Officer
PGIM