Ms. Vanessa Countryman  
Secretary, Securities and Exchange Commission  
100 F Street N.E. Washington, D.C. 20549

Re: File No. S7-10-22: The Enhancement and Standardization of Climate-Related Disclosures for Investors

Dear Ms. Countryman,

Nordea Asset Management welcomes the opportunity to respond on File No. S7-10-22: The Enhancement and Standardization of Climate-Related Disclosures for Investors (“Proposed Rule”). We commend the Commission for its Proposed Rule aimed at providing investors with climate-related financial information from issuers of public securities.

About Nordea Asset Management

Nordea Asset Management (NAM) is part of the Nordea Group. Nordea is the largest financial services group in the Nordic region and one of the biggest banks in Europe. We are an active asset manager, who integrates sustainability and environmental, social and governance (ESG) factors into the majority of our investment and voting decisions. We have a global business model, offering services to institutional clients in Europe, the Americas and Asia. We manage investments across the full spectrum of asset classes. We distribute our products through banks, asset managers, independent financial advisors, insurance companies and family offices with EUR 273 bn (31 March 2022) in assets under management.

The Commission’s Proposed Rule marks a change in the quality and comparability of climate disclosures that is essential to an efficient market response to climate change and ESG-related risks. While most companies report sustainability information in some form, the content and type of disclosures vary significantly. To better interpret and utilize climate-related information, consistent, reliable and comparable disclosures by companies are a top priority for investors. In the absence of standardized disclosures, investors seeking climate-related information have had to collect this data from numerous sources, including companies’ voluntary disclosures that are unverified and often difficult to compare.

Therefore, we support the SEC’s Proposed Rule requiring all public companies to file climate-related financial information with the Commission, to have this information appear alongside financial information, and to present narrative and quantitative information in XBRL tagged form. This will make climate-related financial information more useful to investors seeking to understand the risks and opportunities presented by climate change.

The Proposal’s alignment with recommendations by the TCFD (Taskforce on Climate-Related Financial Disclosures) and the Greenhouse Gas Protocol ensures market efficiencies, a key focus for investors. The TCFD recommendations are widely used across the largest capital markets, with 2,600 supporters globally. Furthermore, regulators have begun mandating TCFD-aligned reporting in the UK, Brazil, the EU, Hong Kong, Japan, New Zealand, Singapore, and Switzerland.
The IFRS Foundation, which sets accounting standards used in over 140 nations, recently released its own proposal for climate-related disclosures via its International Sustainability Standards Board (ISSB). The ISSB proposal similarly uses the TCFD recommendations as a baseline and has significant similarities to the SEC’s proposal.

Coherence with future ISSB standards will reduce the burden of compliance on issuers as many of the largest US issuers are global companies and will likely fall under the disclosure requirements of a jurisdiction following ISSB standards. Furthermore, globally coherent disclosure requirements will lead to better comparability of data for investors.

Climate change presents long-term risks to companies, industries and society at large. Our mission is to deliver returns with responsibility, and integrating climate risk into our investment decisions is critical. We commend the SEC for aligning the proposed SEC rules with the Task Force on Climate-related Financial Disclosures (TCFD) framework and to explore common international sustainability disclosure standards together with the EU (Sustainable Finance Disclosure Regulation (SFDR), Corporate Sustainability Reporting Directive (CSRD), etc.), the International Financial Reporting Standards (IFRS) Foundation and the International Organization of Securities Commissions (IOSCO). We believe that the asset management industry, corporates and other market participants are ready to embrace new globally-aligned disclosure regulation and standards which will facilitate greater transparency and comparability for investors to make better investment useful decisions.

The SEC’s decision to mandate climate-related financial disclosures by US public companies will help companies prepare and plan for the transition to a low-carbon economy and protect investors and US competitiveness in the economies of the future. It is important for investors to understand how companies are managing climate risks and following through on public statements via action towards set goals. The Proposed Rule also includes safe harbor provisions for forward-looking information and Scope 3 emissions, and a reporting phase-in period based on the registrant’s filer status, which aims to address issuers’ concerns about compliance. The Proposed Rule could also ease the burden on companies that are currently providing this information in numerous formats in response to various investor questionnaires on climate information and shareholder proposals calling for this information.

In our opinion, the Proposed Rule strikes the right balance between investors’ needs for climate-related information and issuers’ ability to collect and report this information.

**Response to request for comment on selected questions**

**Pertaining to question 24 on carbon offsets and Renewable Energy Certificates**

Yes, a registrant should be required to disclose the role that offsets or RECs play in its overall strategy to reduce its net carbon emissions. We are one of 236 signatories to the Net Zero Asset Manager’s Initiative (representing USD57.5 Trillion in AUM, as of 7 June 2022), and can therefore note that there is general agreement among Net Zero alliances that carbon offsets have a very limited role to play as a means for companies to achieve reduction targets, in the near to medium term, at least. It is crucial that investors are able to discern the extent to which a company is achieving real
Copenhagen, 16 June 2022

economy emission reductions, and as such the purchase of offsets (including RECs) must be fully
visible.

**Pertaining to question 40 on requiring a registrant to disclose any connection between
executive remuneration and the achievement of climate-related targets and goals**

We support the integration of ESG-related metrics in executive compensation, especially to drive
accountability and behaviours that support the achievement of climate-related targets and goals. We
expect companies to have ESG metrics that are explicit, ambitious and well-chosen. Climate-related
targets should be included in material sectors and net-zero emission pledges should be broken down
to short and long-term targets.

Nordea Asset Management has the following expectations on companies for ESG Metrics in
incentive programs:

- **Materiality:** Assessment of what are important metrics in each industry/sector and the strategy and
  business model of the company;

- **Transparency & Measurability:** numerical targets that are consistently presented and followed up
  on at least yearly, ex-ante and ex-post.

- **Weightings of 10-30% for short- and long-term incentives:** accurate to create a fair outcome for all
  stakeholders to a company. The leading companies we have observed are in this interval.

- **Time frames:** matching targets with shorter-term achievements to align with the longer time path.
  Achieving long-term targets is what really counts and shall be rewarded.

We support requiring a registrant to disclose the connection between executive remuneration and the
achievement of climate-related targets and goals.

**Pertaining to questions 97, 98, 99 and 100 on the disclosure of Scope 3 emissions**

Ideally a company should be required to disclose all material Scope 3 emissions, and companies who
do not disclose should be required to explain their reasoning for assessing Scope 3 emissions as
immaterial.

The GHG Protocol’s Technical Guidance for Calculating Scope 3 Emissions, presents a set of
criteria for identifying relevant scope 3 activities, which we recommend as forming the basis for
determining what constitutes ‘material’ emissions.

If an industry classification were to be applied, we encourage alignment with the Partnership for
Carbon Accounting Financials (PCAF) on sector prioritisation. For more information please see page
49 of The Global GHG Accounting & Reporting Standard.

From a climate risk perspective it is important to understand the emission intensity of a company's
value chain, regardless of whether the company has set a Scope 3 reduction target or not. It is not
meaningful to only require Scope 3 emission disclosure if a registrant has made a Scope 3 GHG
reduction commitment.
Insofar as a company is required to disclose Scope 3 emissions, it should follow the GHG Protocol Standard. This is the only way to ensure comparability. It is our view that a company should disclose emissions across all Scope 3 categories, or explicitly state that emissions for a Scope 3 category has not been quantified and why (e.g. it is not relevant).

**Pertaining to question 106 on requiring registrants who disclose Scope 3 emissions to describe the data sources used to calculate the Scope 3 emissions**

In order to lessen the reporting burden, it need not be a requirement that a company discloses its Scope 3 estimation methodology in detail. Instead we encourage that a registrant is required to disclose if the Scope 3 emission calculations have been independently verified and by whom.

**Pertaining to question 109 on registrants disclosing the intensity of its GHG emissions for the fiscal year**

This requirement is sensible in its formulation and scope, in particular the dual emphasis on both economic intensity and production intensity.

For further discussion or questions, please contact:

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