

European Commission
DG FISMA
Rue de Spa 2
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Feedback to the European Commission on the European Sustainability Reporting Standards

We refer to the European Commission's draft Delegated Act adopting the first set of European Sustainability Reporting Standards, published on 9 June 2023 for feedback until 7 July 2023. We appreciate the opportunity to contribute our perspective.

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. NBIM is a globally diversified investment manager with 12,429 billion Norwegian kroner at year end 2022. Of this total, ca 148 billion EUR was invested in the shares of 1,171 companies in 22 EU countries at year end. We are a long-term investor, working to safeguard and build financial wealth for future generations.

We support the important work of the European Commission and EFRAG in promoting better and more harmonised sustainability reporting, as highlighted in previous consultation responses. As a long-term, global investor, we consider our returns over time to be dependent on sustainable development in economic, environmental and social terms. We need consistent, comparable and reliable information from companies on social or environmental issues which are financially material to their business. We rely on information related to the current performance of a company, as well as information on drivers of value that may be predictive of its long-term performance. This information helps inform our investment decisions, our risk management processes and our ownership activities. We also believe that companies should aim to report on their impact on the environment and society. This is a part of responsible business conduct. But outcomes can also become financially material over time for long-term and diversified investors like NBIM. Therefore, we see the relevance of the double materiality approach of the European Sustainability Reporting Standards.

We welcome the amendments made by the European Commission to the draft ESRS submitted by EFRAG to ensure that the standards are operationally practical for reporting companies, and that the costs for preparers are proportionate to the benefits for users. We

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believe that the Commission has taken overall a balanced approach in the simplification of the standards, as well as the reduction in some of the proposed reporting requirements. We also welcome the central role of the materiality assessment process, but suggest that the Commission reconsider maintaining the requirement for companies to disclose why it has concluded that a topic is not material (paragraph 31 in ESRS 1). The information on the company's materiality assessment can help investors evaluate the reasons behind potential difference in corporate disclosures on a certain topic. Implementation guidance for reporting entities on how to conduct materiality assessments would also be helpful, and alignment with the forthcoming guidance on materiality assessment by the ISSB as far as financial materiality is concerned would be beneficial.

Moreover, we believe that disclosures in the climate standard should remain mandatory irrespective of the materiality assessment, as per EFRAG's original advice. In particular, information on key climate indicators such as Scope 1, 2, 3 GHG emissions and related targets, as well as corporate transition plans, is essential for investors to assess their portfolio carbon footprint, and support alignment with their own net zero objectives.

Interoperability of sustainability reporting standards is essential for global investors like NBIM, as well as for companies who are active across borders. We therefore appreciate the fruitful discussions that have been held between the International Sustainability Standards Board, and EFRAG and the European Commission, towards achieving interoperability and reducing fragmentation in the global reporting landscape. In this respect, we welcome the alignment of most climate-related definitions in IFRS S2 and ESRS E1, and changes made to align on financial materiality in paragraph 49 of ESRS 1. We encourage the Commission to further align the definition of carbon credits, and the ISSB and Commission to make publicly available the interoperability mapping table detailing the similarities and differences between the two sets of standards.

To enhance the visibility of the global baseline provided by the ISSB standards, we also suggest the Commission requires reporting entities to clearly identify the sections of their sustainability reports which incorporate the disclosures foreseen by IFRS S1 and S2. This would help global investors when assessing the sustainability disclosures of portfolio companies based in different jurisdictions. Furthermore, we highlight the importance of the forthcoming sustainability reporting standards for third country undertakings that the Commission shall adopt by June 2024. To facilitate interoperability and prevent double reporting, these standards should be as aligned as possible with ISSB standards, at least as far as information on financial materiality is concerned.

We acknowledge the decision by the Commission to make some biodiversity-related disclosures voluntary in light of the complexity of the topic and associated data collection challenges. We expect our portfolio companies to assess their direct and indirect impact on biodiversity and ecosystems, and have a strategy for managing these based on the

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mitigation hierarchy¹. We note the decision by the Commission to make voluntary the disclosure of biodiversity transition plans and of actions' classification according to the mitigation hierarchy. We also understand the decision to make the LEAP assessment voluntary, but underline that location specificity is key for risk assessment. Regarding metrics, we highlight the distinction suggested by the Taskforce on Nature-Related Financial Disclosures between core disclosure metrics and additional disclosure metrics. Regarding social standards, we suggest the Commission reconsiders the decision to make voluntary some disclosures and metrics regarding non-employees, notably the information concerning the breakdown of non-employees by category and type of work performed.

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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¹ [Biodiversity and ecosystems | Norges Bank Investment Management \(nbim.no\)](#)