



NORGES BANK
INVESTMENT MANAGEMENT

European Commission
Unit B3 – Accounting and Financial Reporting
DG for Financial Stability, Financial Services
and Capital Markets Union
1049 Bruxelles
Belgium

Date: 19.07.2018

Fitness check on the EU framework for public reporting by companies

We refer to the European Commission's *Fitness check on the EU framework for public reporting by companies*, launched on 21 March 2018, and we welcome the opportunity to contribute our perspective.

In this letter, we highlight two areas in particular that could benefit from further harmonisation at EU level: non-financial information disclosure by companies and major holdings disclosure by investors. We have also responded to the online questionnaire.

Norges Bank Investment Management (NBIM) is the investment management division of the Norwegian Central Bank and is responsible for investing the Norwegian Government Pension Fund Global. NBIM is a globally diversified investment manager with EUR 180 billion invested in equities and EUR 81.6 billion in fixed income in the EU.¹

As a long-term, global investor, we consider our returns over time to be dependent on sustainable development in economic, environmental and social terms, as well as well-functioning, legitimate and efficient markets.

When it comes to sustainability, it is important for investors that company boards address and report on material issues that could affect companies' future performance. The way companies manage sustainability risks and capitalise on opportunities can drive their long-term returns. In addition, boards should fulfil their objective of value creation and fair distribution of benefits to shareholders within principles for responsible business conduct.² They should understand the broader social and environmental consequences of business operations, set their own priorities to address these and account for associated outcomes.

As an investor, we are interested in the Commission's work to improve companies' sustainability disclosure. We support the approach chosen by the Commission whereby the

¹ As at end December 2017

² Such as the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights



reporting is driven by materiality. It allows companies to focus on sustainability challenges specific to their sector or business model.

As ESG assessment methodologies are advancing rapidly, the reporting framework needs to be flexible enough to evolve accordingly. In this context, we welcome the Commission's intention to review its guidelines on non-financial reporting. We also support its efforts to develop metrics that would allow companies to capture effectively material risks related to climate change as well as other environmental challenges (deforestation, ocean pollution, unsustainable water use, etc.).

Furthermore, it is broadly accepted that companies have a responsibility to respect human rights, including in supply chains and other business relationships, in line with international standards. First, for reporting on human rights to be meaningful, we see the need for effective metrics to measure companies' performance. We support initiatives which aim at developing better ways to evaluate business respect for human rights. Second, we welcome emerging national legislation on business and human rights, including expectations for companies to have due diligence measures in place to prevent human rights violations in connection with their operations. For a level playing field, we see the benefits of a harmonised approach at EU level.

Concerning major holdings disclosure requirements, we highlight in our response to the questionnaire some national differences in the transposition of the Transparency Directive. Investors are confronted with many different rules and practices across the EU, with differing formats, timing, calculation bases and submission methods for disclosure. This makes the compliance process for cross-border investors sometimes complex. We would welcome more convergence in major holdings disclosure requirements across jurisdictions.

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

Yours faithfully

Carine Smith Ihenacho
Chief Corporate Governance Officer

Séverine Neervoort
Senior analyst, Policy Development