

European Commission  
DG FISMA  
2 rue de Spa  
1000 Brussels  
Belgium

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## European Commission consultation on corporate reporting

Norges Bank Investment Management (“NBIM”) appreciates the opportunity to contribute its perspective to the European Commission’s consultation on *corporate reporting – improving its quality and enforcement*.

NBIM is the investment management division of the Norwegian Central Bank and is responsible for investing the Norwegian Government Pension Fund Global (“the fund”). NBIM is a globally diversified investment manager with assets valued at NOK 10,914 billion kroner<sup>1</sup>. We regard the protection of minority shareholders through strong corporate governance and audit practices as necessary to safeguard and promote the fund’s long-term financial interests.

We welcome the European Commission’s decision to assess the quality of corporate reporting in the European Union. High quality corporate reporting enhances investors’ ability to make decisions that result in efficient capital allocation; and high audit quality enhances trust in financial markets. In our response to the online questionnaire, we share some observations based on our experience as an investor; however, we do not comment on the EU legislative Framework as such.

Being a global investor in more than 9,000 companies, company accounts are central to our investment analysis. Deficient audit quality poses financial risks to investors as we rely on company reports to provide an accurate and complete picture of the company’s financial health. When reporting financial information, companies should seek to comply with both the letter and spirit of laws and follow applicable guidance. In our response, we note that this is not always the case.

Furthermore, we highlight the important role of the audit committee in providing oversight of the financial reporting process and assessing statutory audit quality. We believe the audit committee should ensure it has procedures in place to thoroughly investigate alleged acts of impropriety and that any investigation carried out is truly independent. The board should report

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<sup>1</sup> As of December 31, 2020



on the steps it has taken to prevent and detect material fraud. Such reporting would help strengthen directors' responsibility and accountability for fraud prevention.

Finally, we welcome the European Commission's efforts over the years to encourage cultural change in the audit sector and create more competition in the market. To provide assurance that our investments are protected, we believe, as a shareholder, that audits should go beyond attesting nominal compliance with the applicable accounting standards and take a broader view by also confirming that the accounts provide a true and fair representation of a company's financial health, free of fraud and material misstatements.

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

Yours faithfully,

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