



EFRAG
25 Square de Meeus
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European Lab Future Projects Agenda Consultation

We refer to the *European Lab Future Projects Agenda Consultation*, published by EFRAG; we appreciate the opportunity to contribute our perspective.

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 NOK 8,256 billion.¹ As a long-term 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.

The way companies manage sustainability risks and capitalise on opportunities can drive their long-term returns. It is therefore important for investors that company boards address, account for and report on sustainability issues that might affect companies' future performance. In addition, boards should fulfil their objective of value creation and fair distribution of benefits to shareholders within principles for responsible business conduct.

We use companies' sustainability disclosures to inform our investment decisions, risk management processes and ownership activities. We hence welcome regulators and standard-setters' efforts towards more accurate, consistent and comparable reporting. We consider that qualitative information should, where relevant, be accompanied by quantitative metrics. The use of outcome-oriented metrics by companies would allow investors to evaluate sustainability-related risks and opportunities across their portfolios, and to track performance over time.

We welcome the contribution of the European Reporting Lab, with its current work on climate-related disclosures. Concerning its future work, while all three potential projects presented in the consultation paper are relevant, we would particularly welcome a focus on human rights (project 1.1 in particular).

¹ As at end December 2018



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. For reporting on human rights to be meaningful, we see the need for effective metrics to measure companies' performance.

Project 2 (linkage to the business model) is also relevant. As an investor, we seek to understand how a company's business model might be affected by sustainability matters, such as climate change. We would like companies to describe how their strategy may evolve in light of sustainability considerations. The European Lab could review existing guidance in this area, as well as best practices for integrating this information in company reporting. However, we are aware that the International Accounting Standards Board (IASB) is planning to revise the IFRS Practice Statement 1 *Management Commentary* issued initially in 2010. This is expected to provide guidance to companies for their reporting on how material sustainability issues may impact their business.

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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