



APPENDIX Norges Bank Investment Management's response to the specific questions

Question 1: 'Comply or explain' basis

Do you support sustainability reporting in the form set out in this consultation paper on a 'comply or explain' basis, giving listed issuers the opportunity to explain their individual practices and reasons for deviating from specified requirements?

Yes, we agree with the proposal.

The Exchange proposes to require annual sustainability reporting from primary-listed issuers on both Mainboard and Catalist on a 'comply or explain' basis. This aligns the Exchange with its global peers. We welcome the introduction of the comply-or-explain model supporting a wider adoption of sustainability reporting across issuers, while leaving flexibility to focus reporting on relevant sustainability challenges and opportunities specific to a company's sector or business model. We believe that the primary components recommended for disclosure will provide good support for structuring the content of the reporting and encourage general level of coherence.

Question 2: Frequency of sustainability reporting

Do you agree that the sustainability report should be issued on an annual basis, within 5 months of the end of the issuer's financial year?

While we agree that sustainability should be issued on an annual basis, we encourage the Exchange to consider changing to a reporting regime where the sustainability report is published at the same time as the annual report, well ahead of the annual general meeting.

ESG reporting that focus on information deemed material should be made available to the market at the same time as the financial reporting. The information in the ESG reporting is interrelated with the information given in the annual report.

Increased transparency and ESG reporting may help investors when assessing company boards and management and their long-term strategies. Such transparency can also be useful for shareholders when casting their votes at general shareholder meetings.



Question 3: Primary components

Do you agree that the 5 items listed above should be required in the sustainability report? You may suggest additional items, giving reasons for your suggestions.

We agree on with the proposed primary components, but have the following comments:

Under b) Policies, practices and performance, we would recommend to require companies to explain how material ESG factors identified are integrated in strategy, business planning and risk management. The companies should outline corrective measures or actions taken, where appropriate, to address the issues.

Under d) Sustainability reporting framework, the issuer should use recognized international reporting frameworks and guidelines to ensure comparability. We welcome the development and disclosure of consistent and objective data on current and potential sustainability issues, reported according to well-defined and transparent methodologies and standards. We consider the current proposal to be a useful starting point for the reporting of high quality and standardised data on relevant ESG factors.

Under e) Board statement, the board statement should not be limited to a compliance statement, but reflect the board's responsibility in considering sustainability issues in strategy and business planning.

Question 4: Stakeholder engagement

Do you agree that stakeholders should be engaged in determining the material ESG factors? Should this verification process be considered essential and therefore included as a primary component of sustainability reporting?

It is the board's responsibility and obligation to select material ESG issues relevant to the business and address these at a strategic level. We therefore disagree with the verification role placed on different stakeholders.

We encourage a collaborative approach including engaging stakeholders. The importance of meaningful stakeholder engagement is recognized in the UN Guiding Principles on Business and Human Rights.

As stated in the 2012 code of corporate governance for the companies listed on the Exchange ("the Code of Corporate Governance"), the board should identify their key stakeholders and ensure that obligations to shareholders and key stakeholders are met. Stakeholders' consultation and engagement



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should be in place to inform board decision making, including strategic decision on material ESG issues. The company should report on such stakeholder engagement. However, the responsibility of determining material ESG factors rests with the board. The issuer's responsibility on disclosure, including sustainability reports, is primarily to current and potential shareholders.

Question 5: Materiality

Do you agree with this working guideline of materiality? If there are aspects which are inappropriate, please identify, explain and suggest a better alternative.

We agree with the working guideline, but suggest the Exchange to consider a requirement for a minimum reporting on the relevance of major global sustainability challenges.

The working guideline provides a structured process that can help identify material ESG issues and provides a general guidance on potential material ESG issues. However, the guideline ties the materiality of ESG to the business. The guideline does not refer to material ESG factors at sector level or to potential future impact companies may have on economic development through externalised costs. We believe that externalities linked to global challenges such as climate change or water stress for example need to be included in the set of material ESG factors. The transition to a low carbon economy will affect energy systems globally, and business prospects directly, upstream or downstream.

Question 6: Anti-corruption and diversity

Should anti-corruption and diversity be considered essential and therefore included as part of the primary components of sustainability reporting?

Yes, we agree with the proposal, but not in the way suggested.

Corruption is an important issue referred to in the UN Global Compact. However, including anti-corruption in the primary components of sustainability reporting, which are currently high level, requires adding other key sustainability factors to the primary components. We would then recommend adding climate risk, water and waste management, as well as human rights.



We recommend the guide to include a definition of diversity. It is unclear in the consultation paper whether the question relates to diversity in general or to board diversity.

Board diversity is addressed in the code of corporate governance for companies listed on the Exchange where board diversity in terms of skills, experience and gender is recommended practice. Again, we recommend that the proposed guidelines be clearly aligned with the Code of Corporate Governance.

Question 7: Responsibility of the Board

Do you agree with the specific roles and responsibilities assigned to the Board with regard to sustainability reporting?

We are supportive of the amendments outlining the board's overall responsibility of the ESG strategy and reporting. Boards should seek to understand, and capitalise on opportunities arising from, material ESG issues. However, we would recommend that the proposed amendments clearly align the board's overall responsibility of the ESG strategy and reporting with the board's responsibility set out in the Code of Corporate Governance. The G20/ OECD Principles of Corporate Governance and the OECD Guidelines for Multinational Enterprises are important points of reference for best practice.

Question 8: Independent assurance

Do you agree that assurance should be voluntary? If you disagree, please give reasons.

Yes, we agree.

At this stage, demanding external assurance might result in an extra hurdle to the adoption of sustainability reporting. However, assurance tend to improve the quality of the data reported and should be encouraged and potentially considered as a requirement at a later stage.



Question 9: Phased approach

Do you agree that sustainability reporting should be implemented by way of a phased approach?

Yes, we agree with the proposal

We are hopeful that a phased approach will enable companies have a constructive dialogue with the Exchange and other industry experts in this process. A phased approach until 2018 will open up a constructive dialogue during the implementation phase, leaving room for sector specific feedback to strengthen the relevance of disclosure. We expect periodical review of the guide to incorporate feedback on practical experience from investors, companies and industry experts. We also encourage the Exchange to assess the development and compliance of sustainability disclosure of listed issuers and report on issuers' practices. The Exchange should consider informing the market on how it intends to enforce non-disclosure of material ESG issues for listed issuers.

