Norges Bank Investment Management

35 Square de Meeûs 1000 Brussels (fifth floor)
Belgium

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EFRAG call for input on revision of the European Sustainability Reporting Standards

Introduction

Norges Bank Investment Management (NBIM) 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 1.67 trillion EUR at year end 2024. Of this total, ca 284 billion EUR was invested in the shares of 1,066 companies in 27 EU countries. We are a long-term investor, working to safeguard and build financial wealth for future generations.

We welcome the opportunity to contribute to this targeted feedback exercise on European Sustainability Reporting Standards (ESRS) Set 1 revision, following the European Commission's mandate to European Financial Reporting Advisory Group (EFRAG) on March 27, 2025, as part of the Omnibus Simplification Package. We look forward to continuing to provide our input to EFRAG as it develops its technical advice to the European Commission.

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 might be predictive of its long-term performance. Given our long-term investment horizon, we particularly value transparent disclosures on sustainability impacts that are most material to business value creation, as these are essential for our understanding of a company's resilience and future performance prospects.

We strongly welcome the drive for simplification of the ESRS. As Corporate Sustainability Reporting Directive (CSRD) implementation begins, we observe that current standards present significant challenges for reporting companies. In our view, there is significant scope for streamlining disclosure requirements. We recommend three key areas of simplification:

1) **Enhance global alignment:** While CSRD serves multiple stakeholders beyond investors, adopting identical terminology and metrics from International Sustainability Standards Board (ISSB) and Sustainability Accounting Standards Board (SASB) standards where they address the same matters would reduce reporting burden, enhance comparability, and maintain a global baseline.

2) **Improve structure to reduce duplication:** Consolidate redundant requirements across the ESRS architecture (cross-cutting standards, special status topical standards, and other materiality-dependent standards).
3) **Focus on decision-useful information:** Reduce excessively granular datapoints while balancing quantitative metrics with value-added qualitative disclosures.

This approach would significantly decrease the reporting burden while ensuring that stakeholders receive the most relevant and impactful sustainability information. The remainder of this consultation provides practical examples of how these three key simplifications could be achieved.[1]

Global Alignment for greater efficiency

We acknowledge the important progress made with the May 2024 interoperability guidance jointly published by the IFRS Foundation and EFRAG. However, interoperability alone does not eliminate inconsistencies in reporting requirements. The ESRS shares similar high-level goals with the ISSB standards, specifically IFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information) and IFRS S2 (Climate-related Disclosures). The ISSB standards build on existing frameworks, such as the Taskforce on Climate-Related Financial Disclosures Recommendations (TCFD), and maintain its four-pillar structure around governance, strategy, risk management, and metrics and targets. We continue supporting this four-pillar structure as it provides a logical and consistent framework for sustainability reporting.

We recommend EFRAG increase the alignment of ESRS with the ISSB standards by adopting identical wording and metrics where they address the same sustainability matters.[2] Disclosure requirements in ESRS should remain at least as robust as those in ISSB Standards, thereby preserving the global baseline.

For example, for internal carbon pricing: ESRS E1 (Climate Change) Disclosure Requirement E1-8 requires disclosure of “whether it applies internal carbon pricing schemes, and if so, how they support its decision making and incentivise the implementation of climate-related policies and targets.”[3] Paragraph 63(c) further requires disclosure of “the carbon prices applied according to the type of scheme and critical assumptions made to determine the prices, including the source of the applied carbon prices and why these are deemed relevant for their chosen application.”[4]

Meanwhile, IFRS S2 paragraph 29(f) requires disclosure of “an explanation of whether and how the entity is applying a carbon price in decision-making (for example, investment decisions, transfer pricing and scenario analysis)” and “the price for each metric tonne of greenhouse gas emissions the entity uses to assess the costs of its greenhouse gas emissions.”[5] While both frameworks address the same topic, there are differences in language and specific metrics that create unnecessary reporting complexity.

Likewise, in the social domain, ESRS S1 (Own Workforce) Disclosure Requirement S1-14, requires exhaustive health and safety metrics including "(a) the percentage of people in its own workforce who

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[1] The appendix further contains examples to supplement the consultation.
[2] This consultation additionally recommends consolidating overlapping disclosure requirements and reducing granularity within ESRS. These recommendations make it practically feasible to align ESRS wording and metrics with ISSB standards on same sustainability matters. See for example: appendix, section 2, examples for consolidating overlapping MDRs.
[3] ESRS E1 (Climate Change), Disclosure Requirement E1-8 – Internal carbon pricing, paragraph 62.
[4] ESRS E1 (Climate Change), Disclosure Requirement E1-8 – Internal carbon pricing, paragraph 63(c).
[5] IFRS S2, paragraph 29(f).

Norges Bank Investment Management
is a part of Norges Bank – the Central Bank of Norway

Postal address
P.O. Box 0179 Sentrum,
NO-0I07 Oslo

Visiting address
Bankplassen 2,
Oslo

Tel: +47 24 07 30 00
Fax: +47 24 07 30 01
www.nbim.no

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are covered by the undertaking's health and safety management system... (c) the number and rate of recordable work-related accidents... (e) with regard to the undertaking's employees, the number of days lost to work-related injuries".[6] The standard even prescribes the exact calculation methodology in Application Requirement (AR) 89, mandating that "the undertaking shall divide the respective number of cases by the number of total hours worked by people in its own workforce and multiplied by 1,000,000".[7]

By comparison, SASB's Metals & Mining Industry Standard metric takes a fundamentally different approach, requiring only "(1) All-incidence rate, (2) fatality rate, (3) near miss frequency rate (NMFR) and (4) average hours of health, safety, and emergency response training for (a) direct employees and (b) contract employees".[8]

These examples[9] illustrate why achieving greater alignment between ESRS and ISSB frameworks would significantly enhance comparability and reduce the burden on reporting companies. We continue to support the ISSB as the global baseline for sustainability reporting given their focus on financial materiality. For disclosures going beyond ISSB, we suggest alignment with established standards like Global Reporting Initiative (GRI) and Taskforce on Nature-related Financial Disclosures (TNFD) to maintain consistency across frameworks. This would reduce reporting burdens for companies subject to multiple regulatory regimes. It would also enable more efficient digital tagging, making sustainability information more accessible and comparable for all stakeholders.

Structural improvements to reduce duplication

The current ESRS structure creates significant reporting inefficiencies through structural duplication. Companies are required to report on same four[10] areas: governance, strategy, impact, risk & opportunity management and metrics & targets across three interconnected layers of standards:

1. Cross-cutting standards (ESRS 1 & 2) that apply to all companies
2. Special status materiality-dependent topical standards (ESRS E1-Climate, S1-Own Workforce)
3. Other topical standards deemed relevant through materiality assessment

We believe structural improvements could significantly reduce duplication. One effective approach would be to consolidate of these cross-cutting elements at the entity level in ESRS 2, with topic-specific standards only requiring additional information unique to the sustainability matter being reported.

For example, a company must describe its governance approach for sustainability matters in ESRS 2, then may repeat largely similar governance information for climate in ESRS E1, for workforce in ESRS S1, and again for each material topic.[11] For most companies, the same board committee or relevant governance structure oversees multiple topics, yet the current structure requires repetitive disclosure of essentially the same governance information across numerous disclosure requirements, creating reporting burden without adding meaningful insight. The standards themselves acknowledge this redundancy - ESRS S1, AR 18 gives companies the option to fulfill certain governance disclosures by

[6] ESRS S1 (Own Workforce) Disclosure Requirement S1-14 - Health and safety metrics, paragraph 88.
[7] ESRS S1 (Own Workforce), Disclosure Requirement S1-14 – Health and safety metrics, Application Requirement (AR) 89 for computing the rate of work-related injuries.
[8] Sustainability Accounting Standards Board (SASB)'s Metals & Mining Industry Standard, EM-MM-320a.1.
[9] For more examples, see appendix, section 1.
[10] See ESRS 1, Disclosure Requirement 1.2 - Reporting areas and minimum content disclosure requirements on policies, actions, targets and metrics, paragraph 12.
[11] For examples, see appendix, section 2, examples of repetitive governance disclosures.

Postal address
P.O. Box 0179 Sentrum,
NO-0I07 Oslo

Visiting address
Bankplassen 2,
Oslo

Tel: +47 24 07 30 00
Fax: +47 24 07 30 01
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cross-referencing ESRS 2 GOV-1.[12] However, this optional cross-referencing approach adds complexity by requiring navigation between interconnected standards.

The same pattern applies to strategy disclosures[13] and impact, risk & opportunity management disclosures[14] where companies must separate and repeat similar information across multiple standards despite typically using integrated frameworks.

We suggest that these disclosures be consolidated based on their nature. For governance disclosures, consolidation at the entity level in ESRS 2 would eliminate significant duplication with minimal information loss. For strategy and impact, risk & opportunity management disclosures, which may contain more topic-specific elements, preparers should have the option to either report this information once at the entity level (when using integrated frameworks) or provide additional topic-specific details only where materially different approaches are used for particular sustainability matters. We acknowledge that metrics and targets are highly topic-specific in nature, but if relevant, companies should have the option to report entity-wide performance indicators at the consolidated level when these span multiple sustainability matters. Similarly, for metrics and targets, while acknowledging their frequently topic-specific nature, companies should have the option to report entity-wide performance indicators at the consolidated level when these span multiple sustainability matters.[15] This would reduce unnecessary segmentation of interconnected performance measurement.

Another area of structural inefficiency relates to Minimum Disclosure Requirements (MDRs). ESRS 2 establishes MDRs on policies, actions, targets and metrics that apply across all material topics.[16] These requirements create a significant layer of duplication because companies must address substantially similar disclosure requirements multiple times - once under ESRS 2’s MDRs and again under each special status and other materiality dependent topical.[17]

[12] ESRS S1 (Own Workforce), Disclosure Requirement S1-2 – Processes for engaging with own workforce and workers' representatives about impacts, AR 18: “When describing what function or role has operational responsibility for such engagement and/or ultimate accountability, the undertaking may disclose whether this is a dedicated role or function or part of a broader role or function, and whether any capacity building activities have been offered to support the staff to undertake engagement. If it cannot identify such a position or function, it may state that this is the case. This disclosure could also be fulfilled by making reference to information disclosed according to ESRS 2 GOV-1 The role of the administrative, management and supervisory bodies.”
[13] For examples, see appendix, section 2.
[14] For examples, see appendix, section 2.
[15] For instance, a food manufacturing company using Rainforest Alliance certified cocoa would face significant duplication challenges under the current ESRS structure. This single certification simultaneously addresses climate, biodiversity, pollution, and social aspects, yet under the current framework, it must be reported multiple times: Under ESRS E1 (Climate Change), Disclosure Requirement E1-4, paragraph 34, the company would report targets related to the percentage of Rainforest Alliance certified cocoa sourced, as part of their overall GHG emissions reduction strategy. Under ESRS E4 (Biodiversity), Disclosure Requirement E4-4, paragraph 32, it would report the same certification targets as measures to protect and restore ecosystems. Under ESRS S2 (Workers in Value Chain), Disclosure Requirement S2-5, paragraph 39, the company would again report the identical certification targets as metrics for ensuring fair labor practices. Meanwhile, SASB's Food & Beverage Processed Foods standard takes a more streamlined approach, requiring simply the "percentage of food ingredients sourced that are certified to third-party environmental and/or social standards" (FB-PF-430a.1), allowing companies to report this information once in a consolidated manner. In such cases, companies would benefit from consolidating these overlapping disclosure requirements at the entity level, and only supplementing with topic-specific targets and metrics where they provide additional material information.
[16] Minimum Disclosure Requirements (MDRs) are established in ESRS 2, section 4.2 for policies (MDR-P) and actions (MDR-A), and section 5 for metrics (MDR-M) and targets (MDR-T). See ESRS 1, Disclosure Requirement 1.2 - Reporting areas and minimum content disclosure requirements on policies, actions, targets and metrics, paragraph 13.
[17] While optional cross-referencing between sections is allowed, this is not the default option and so adds complexity by requiring navigation between interconnected standards.

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is a part of Norges Bank – the Central Bank of Norway

Postal address
P.O. Box 0179 Sentrum,
NO-0I07 Oslo

Visiting address
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Oslo

Tel: +47 24 07 30 00
Fax: +47 24 07 30 01
www.nbim.no

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For example: ESRS 2, Policies MDR-P, paragraph 65 requires undertakings to provide six specific types of policy information adopted to manage material sustainability matters.[18] ESRS E1 (Climate Change), Disclosure Requirement E1-4, paragraph 24 requires the same information[19] as ESRS 2 MDR-P while adding climate-specific elements.[20] ESRS S1 (Own Workforce), Disclosure Requirement S1-1, paragraph 19 similarly requires the same information[21] as ESRS 2 MDR-P while adding workforce-specific elements (paragraph 20-24).[22] ESRS S2 Level (Workers in the Value Chain) also follows the same pattern, requiring disclosure of policies in accordance with ESRS 2 MDR-P[23] while adding value chain worker-specific elements.[24] This same pattern of duplication applies to actions and targets across all material topics.[25]

Furthermore, ESRS 1 paragraphs 33-34 create an imbalance in how materiality assessment is applied to these requirements.[26] For policies, actions, and targets, when a topic is deemed material, companies must disclose all prescribed disclosure requirements even when individual requirements may not be material to the company's specific circumstances. For metrics, however, undertakings may omit the information prescribed by a datapoint of a disclosure requirement if they assess such information to be not material and conclude that such information is not needed to meet the objective of the disclosure requirement. This inconsistency creates additional complexity in reporting processes.

To address these MDR-related inefficiencies, we recommend a more streamlined approach:

1. MDRs on policies, actions, targets and metrics that address multiple sustainability matters should be reported once at the entity level in ESRS 2, with clear identification of which material topics they address.
2. Topic-specific standards should then only require supplementary information that is uniquely relevant to that particular sustainability matter.
3. The approach for assessing materiality of individual datapoints currently only applicable to metrics (in paragraph 34 of ESRS 1) should be extended to all MDRs, allowing undertakings to omit information on policies, actions, and targets that they determine to be not material at the individual datapoint level

[18] ESRS 2, Minimum Disclosure Requirement – Policies MDR-P – Policies adopted to manage material sustainability matters, paragraph 65.
[19] ESRS E1, Disclosure Requirement E1-2 – Policies related to climate change mitigation and adaptation, paragraph 24: “The disclosure required by paragraph 22 shall contain the information on the policies the undertaking has in place to manage its material impacts, risks and opportunities related to climate change mitigation and adaptation in accordance with ESRS 2 MDR-P Policies adopted to manage material sustainability matters.”
[20] ESRS E1, Disclosure Requirement E1-2 – Policies related to climate change mitigation and adaptation, paragraph 25.
[21] ESRS S1, Disclosure Requirement S1-1 – Policies related to own workforce, paragraph 19: "The disclosure required by paragraph 17 shall contain the information on the undertaking's policies to manage its material impacts, risks and opportunities related to its own workforce in accordance with ESRS 2 MDR-P Policies adopted to manage material sustainability matters. In addition, the undertaking shall specify if such policies cover specific groups within its own workforce or all of its own workforce."
[22] ESRS S1, Disclosure Requirement S1-1 – Policies related to own workforce, paragraphs 19-24 requires specific workforce policy disclosures.
[23] ESRS S2, Disclosure Requirement S2-1, paragraph 16: “The disclosure required by paragraph 14 shall contain the information on the undertaking’s policies to manage its material impacts, risks and opportunities related to value chain workers in accordance with ESRS 2 MDR-P Policies adopted to manage material sustainability matters. In addition, the undertaking shall specify whether such policies cover specific groups of value chain workers or all value chain workers.”
[24] ESRS S2 Disclosure Requirement S2-1, paragraphs 17-19 add value chain worker-specific policy elements.
[25] See appendix, section 2, examples of repetitive MDRs.
[26] ESRS 1, Disclosure Requirement 3.2 - Material matters and materiality of information, paragraph 34 states: "When disclosing information on metrics for a material sustainability matter according to the Metrics and Targets section of the relevant topical ESRS, the undertaking: (a) shall include the information prescribed by a Disclosure Requirement if it assesses such information to be material; and (b) may omit the information prescribed by a datapoint of a Disclosure Requirement if it assesses such information to be not material and concludes that such information is not needed to meet the objective of the Disclosure Requirement."

4. Strengthen cross-referencing in the framework by making it the default approach that connects entity-level MDRs with relevant topic-specific standards.
5. Review and consolidate overlapping MDRs across standards to eliminate redundancy and align with IFRS S1 by adopting identical wording and metrics where both frameworks address the same matters.[27]

This approach would maintain comprehensive reporting while significantly reducing the burden of redundant disclosures, particularly for companies with integrated sustainability frameworks.

Maintaining the right balance

While streamlining disclosure requirements is essential, we emphasize that any simplification efforts should maintain a careful balance between quantitative and qualitative information. EFRAG should preserve value-added qualitative disclosures that provide context around policies and actions, while reducing excessive process-oriented requirements that add limited decision-useful information.[28] Additionally, it is important to us that during this simplification process an appropriate balance is maintained between environmental, social, and governance disclosure requirements.[29]

For example, on Climate Transition Planning (ESRS E1): Disclosure Requirement E1-6 requires quantitative GHG emissions reporting across scopes 1, 2, and 3, while E1-1 requires qualitative information on transition plans.[30] NBIM Climate Change Expectations document encourages companies to not only disclose emissions data but also explain how climate considerations are integrated into corporate strategy.[31] Without this strategic context, emissions targets lack the information investors need to assess value creation potential. Any simplification of climate-related disclosures should preserve this balance, focusing on streamlining excessive process descriptions while retaining the strategic context that gives meaning to the quantitative metrics.

Likewise, on Human Capital Management (ESRS S1): Disclosure Requirement S1-6 requires quantitative workforce metrics including "key characteristics of employees in its own workforce" with data on composition, diversity and turnover, while S1-7 requires qualitative information on talent development approaches for non-employees.[32] NBIM's Human Capital Expectation document encourages companies to provide both data on workforce composition and explanations of their human capital development strategies.[33] Either type of disclosure alone would provide an incomplete picture.

On Governance (ESRS G1): Disclosure Requirement G1-1 requires qualitative disclosures on business conduct policies and corporate culture, while subsequent requirements such as G1-4, require

[27] For examples, see appendix, section 2, examples for consolidating overlapping MDRs.
[28] For examples, see appendix, section 3, examples of excessively process-oriented qualitative disclosures.
[29] Tax is an area that should be considered for inclusion within governance disclosures, particularly country-by-country reporting of economic value generation and tax payments. NBIM Tax and Transparency Expectations also reiterate this viewpoint: "Multinational enterprises should publish country-by-country breakdowns of how and where their business model generates economic value, where that value is taxed, and the amount of tax paid as a result." See Tax and transparency expectation of companies | Norges Bank Investment Management.
[30] ESRS E1 (Climate Change), Disclosure Requirement E1-6 – Gross Scopes 1, 2, 3 and Total GHG emissions, paragraphs 44 to 55; ESRS E1 (Climate Change), Disclosure Requirement E1-1 – Transition plan for climate change mitigation, paragraphs 14 to 17.
[31] 2025 Climate action plan | Norges Bank Investment Management.
[32] ESRS S1 (Own Workforce), Disclosure Requirement S1-6 – Characteristics of the undertaking's employees, paragraph 48 to 52; ESRS S1 (Own Workforce), Disclosure Requirement S1-7 – Characteristics of non-employees in the undertaking's own workforce, paragraph 53 to 57.
[33] Human capital management | Norges Bank Investment Management.

Norges Bank Investment Management
is a part of Norges Bank – the Central Bank of Norway

Postal address
P.O. Box 0179 Sentrum,
NO-0107 Oslo

Visiting address
Bankplassen 2,
Oslo

Tel: +47 24 07 30 00
Fax: +47 24 07 30 01
www.nbim.no

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quantitative data on incidents of corruption or bribery.[34] NBIM's Anti-Corruption Expectation document states that companies should "publicly disclose their anti-corruption policies and processes, including how they deal with incidents" and that "performance reporting should, where appropriate, use metrics that enable year-on-year comparison."[35] This balanced approach is essential for investors to properly assess business conduct and governance effectiveness.

Granularity reduction

The revised ESRS should ensure that disclosure requirements are not excessively granular, as this can create a significant reporting burden without providing proportionate benefits for users. A more focused approach prioritizing material metrics would enhance decision-usefulness while achieving meaningful simplification. We recommend EFRAG ensure strong engagement with report users, particularly investors, throughout the revision process to identify which detailed requirements truly add value.

For example, ESRS E4 (Biodiversity and Ecosystems) Disclosure Requirement E4-2, AR 17 requires excessive reporting on third-party standards used in biodiversity policies. Amongst other disclosures, companies must report whether standards are "objective and achievable based on a scientific approach to identifying issues"[36] and "developed or maintained through a process of ongoing consultation with stakeholders with balanced input from all relevant stakeholder groups."[37] They must also disclose if standards " encourage a step-wise approach and continuous improvement"[38] and are " verifiable through independent certifying or verifying bodies."[39] This creates an administrative burden focused on process details rather than substantive biodiversity outcomes, with limited proportional benefit for users of sustainability information.

Similarly, ESRS E3 (Water and Marine Resources) Disclosure Requirement E3-4 mandates water consumption reporting with multiple breakdowns. Amongst other disclosures, companies must report "total water consumption in m^3," "total water consumption in m^3 in areas at water risk, including areas of high-water stress" and "total water stored and changes in storage in m^3".[40] For companies operating across numerous watersheds, this creates significant data collection challenges without commensurate analytical insight.[41]

Most relevant data points

As a matter of principle, we find disclosures aligned with IFRS to be most relevant, as they facilitate global comparability and consistency while specifically addressing the information needs of investors. We have emphasized many of these disclosures in our expectation documents, which outline the sustainability information we consider essential for evaluating long-term value creation potential.

[34] ESRS G1 (Business Conduct), Disclosure Requirement G1-1– Business conduct policies and corporate culture, paragraphs 7 to 11; ESRS G1 (Business Conduct), Disclosure Requirement G1-4 – Incidents of corruption or bribery, paragraphs 22 to 26.
[35] Anti-corruption | Norges Bank Investment Management.
[36] ESRS E4 (Biodiversity and Ecosystems) Disclosure Requirement E4-2 - Policies related to biodiversity and ecosystems, AR 17a.
[37] ESRS E4 (Biodiversity and Ecosystems) Disclosure Requirement E4-2 - Policies related to biodiversity and ecosystems, AR 17b.
[38] ESRS E4 (Biodiversity and Ecosystems) Disclosure Requirement E4-2 - Policies related to biodiversity and ecosystems, AR 17c.
[39] ESRS E4 (Biodiversity and Ecosystems) Disclosure Requirement E4-2 - Policies related to biodiversity and ecosystems, AR 17d.
[40] ESRS E3 (Water and Marine Resources) Disclosure Requirement E3-4 – Water consumption, paragraph 28.
[41] For examples, see appendix, section 4.

For example, in the cross-cutting standards that apply to all companies (ESRS 2), we find particular value in disclosure requirements that align with IFRS S1, our expectation[42] documents and position papers[43]:

- Basic Principles (BP)-1, paragraph 5(c): Disclosure of extent to which sustainability statement covers upstream and downstream value chain.[44]
- BP-2, paragraph 17(a): List of sustainability matters assessed to be material (phase-in).[45]
- BP-2, paragraph 17(b): Description of any time-bound targets set related to sustainability matters assessed to be material (phase-in) and progress made towards achieving those targets.[46]
- GOV-1, paragraph 22(a): Information about identity of administrative, management and supervisory bodies or individual(s) within body responsible for oversight of impacts, risks and opportunities.[47]
- GOV-3, paragraph 29(c): Disclosure of how sustainability-related performance metrics are considered as performance benchmarks or included in remuneration policies.[48]

Likewise, in ESRS E1 (Climate Change), which is a special status materiality-dependent topical standard, we find particular value in disclosure requirements that align with IFRS S2, industry-specific SASB metrics, our expectation documents and position papers:

- E1-1, paragraph 16(a): Explanation of how the undertaking's targets are compatible with the limiting of global warming to 1.5°C in line with the Paris Agreement.[49]

[42] Our expectations | Norges Bank Investment Management.
[43] Position papers | Norges Bank Investment Management.
[44] NBIM Human Rights Expectations: "Companies should report the above information for supply chains and other business relationships, taking a full value-chain perspective, including downstream." See Human rights expectation of companies I Norges Bank Investment Management. NBIM Climate Change Expectations: "Companies should assess and report on their exposure to climate-related risks and opportunities in their value chain." See Climate change expectation of companies | Norges Bank Investment Management. Also see, IFRS S1, paragraphs 32-33.
[45] NBIM Corporate Sustainability Reporting Position Paper: "The board should ensure that company reporting reflects all material sustainability risks and opportunities." See Corporate sustainability reporting position paper | Norges Bank Investment Management. Also see, IFRS S1, paragraph 11.
[46] NBIM Biodiversity and Ecosystems Expectations: "Companies should set measurable goals and targets for improved management of biodiversity and ecosystems, and report on their performance against these." See Biodiversity and ecosystems expectation of companies I Norges Bank Investment Management. NBIM Climate Change Expectations: "Companies should set short-, medium-, and long-term emission reduction targets that include Scope 1, 2, and material Scope 3 emissions... Companies should report annually on progress made towards their targets." See Climate change expectation of companies | Norges Bank Investment Management. Also see, IFRS S1 paragraph 51.
[47] NBIM Human Rights Expectations: "Companies should have appropriate governance structures in place to ensure effective oversight of human rights issues." See Human rights expectation of companies I Norges Bank Investment Management.NBIM Climate Change Expectations (2023): "Board oversight: Company boards should ensure climate risks and opportunities are integrated into corporate strategy and risk management. They should be transparent on how they establish oversight by disclosing details of the associated governance structure." See Climate change expectation of companies | Norges Bank Investment Management. Also see, IFRS S1 paragraph 27(a).
[48] NBIM Climate Change Expectations: "Companies should implement remuneration and incentive structures that effectively promote good management of climate-related risks and opportunities." See Climate change expectation of companies | Norges Bank Investment Management. NBIM CEO Remuneration Position Paper: "Executive remuneration should incentivise the creation of long-term shareholder value and reflect broader environmental and social performance." See CEO remuneration position paper | Norges Bank Investment Management. Also see, IFRS S1, paragraph 27(a)(v).
[49] NBIM Climate Change Expectations: "Companies should commit to net zero by 2050 or sooner and align their activities with the objectives of the Paris Agreement." See Climate change expectation of companies | Norges Bank Investment Management. Also see, IFRS S2, paragraph 33(h) and industry-specific SASB metrics such as EM-EP-110a.3 (Oil & Gas Exploration & Production).

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is a part of Norges Bank – the Central Bank of Norway

Postal address
P.O. Box 0179 Sentrum,
NO-0107 Oslo

Visiting address
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Oslo

Tel: +47 24 07 30 00
Fax: +47 24 07 30 01
www.nbim.no

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- E1-1, paragraph 16(c): Explanation and quantification of investments and funding supporting the implementation of the transition plan, with reference to taxonomy-aligned CapEx plans.[50]
- E1-4, paragraph 34: Disclosure of GHG emission reduction targets covering Scope 1, 2, and 3 emissions and whether they are science-based.[51]
- E1-8, paragraph 62: Disclosure of whether the undertaking applies internal carbon pricing schemes, and how they support decision making and incentivise implementation of climate-related policies and targets.[52]

While we value the examples of the most relevant disclosures we have provided here and, in the appendix,[53] we believe there is significant scope to further simplify their implementation requirements without compromising the quality of information provided to users.

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

Yours sincerely

Signed by:
Carine Smith Ihenacho
C28B267008BE42F...
Carine Smith Ihenacho
Chief Governance and Compliance Officer

Signed by:
Shilpi Nanda
045DFA68D762485...
Dr Shilpi Nanda
Policy Advisor

[50] NBIM Climate Change Expectations: "Companies should disclose how their capital allocation aligns with their emission reduction plans and the Paris Agreement." See Climate change expectation of companies | Norges Bank Investment Management. Also see, IFRS S2, paragraph 29(e) and industry-specific SASB metrics such as EM-EP-420a.3 (Oil & Gas Exploration & Production).
[51] NBIM Climate Change Expectations: "Companies should set science-based interim emission reduction targets that cover scope 1, scope 2 and material scope 3 emissions, consistent with net zero by 2050." See Climate change expectation of companies | Norges Bank Investment Management. Also see, IFRS S2, paragraph 36(a)-(b) and industry-specific SASB metrics such as IF-EU-110a.3 (Electric Utilities & Power Generators).
[52] NBIM Climate Change Expectations: "To ensure their investment decisions are consistent with their emission reduction plans, companies should implement internal carbon pricing mechanisms." See Climate change expectation of companies | Norges Bank Investment Management. Also see, IFRS S2, paragraph 29(f) and industry-specific SASB metrics such as EM-MM-110a.2 (Metals & Mining).
[53] For more examples, see appendix, section 5.

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Postal address
P.O. Box 0179 Sentrum,
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Appendix

Section 1: Global Alignment for Greater Efficiency

General examples:

- **For example, when reporting on assets exposed to climate risks:** ESRS E1 (climate change) Disclosure Requirement E1-9, paragraph 66(a) requires companies to disclose "the monetary amount and proportion (percentage) of assets at material physical risk over the short-, medium- and long-term before considering climate change adaptation actions; with the monetary amounts of these assets disaggregated by acute and chronic physical risk."[54] The disclosure requirement requires further detailed disclosures including "the proportion of assets at material physical risk addressed by the climate change adaptation actions," "the location of significant assets at material physical risk,"[55] and "the monetary amount and proportion (percentage) of net revenue from its business activities at material physical risk".[56]
- Meanwhile, IFRS S2 paragraph 29(c) requires disclosure of "climate-related physical risks—the amount and percentage of assets or business activities vulnerable to climate-related physical risks." Though addressing the same topic, these requirements differ significantly in both language and metrics. ESRS is more prescriptive in requiring time horizon breakdowns and acute versus chronic risk categorization, creating additional reporting complexity for companies subject to both frameworks.

- **Likewise, for waste management:** ESRS E5 (Resource Use and Circular Economy) Disclosure Requirement E5-5 requires detailed reporting on "the total amount of waste generated" with specific breakdowns between "hazardous waste and non-hazardous waste" and further categorization by recovery types including "preparation for reuse; recycling; and other recovery operations" and disposal types including "incineration; landfill; and other disposal operations".[57]
- Meanwhile, SASB metrics for the Waste Management Industry require reporting on "amount of waste incinerated", "percentage hazardous", "percentage used for energy recovery."[58] This illustrates a broader pattern where ESRS and international standards like SASB (now incorporated into IFRS) require disclosure of similar sustainability information but with different terminology and metrics.

Section 2: Structural improvements to reduce duplication

Examples of repetitive governance disclosures:

- In ESRS 2 (General Disclosures): Disclosure Requirement Governance (GOV)-1, paragraph 19 requires reporting on "the composition of the administrative, management and supervisory bodies, their roles and responsibilities and access to expertise and skills with regard to sustainability matters.".

[54] ESRS E1 (climate change) Disclosure Requirement E1-9 - (Anticipated financial effects from material physical and transition risks and potential climate-related opportunities), paragraph 66(a).
[55] ESRS E1 (climate change) Disclosure Requirement E1-9 - (Anticipated financial effects from material physical and transition risks and potential climate-related opportunities), paragraph 66(b).
[56] ESRS E1 (climate change) Disclosure Requirement E1-9 - (Anticipated financial effects from material physical and transition risks and potential climate-related opportunities), paragraph 66(d).
[57] ESRS E5 (resource use and circular economy, Disclosure Requirement E5-5 - Resource outflows, paragraph 37.
[58] SASB Waste Management Industry Standard, IF-WM-420a.1.

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is a part of Norges Bank – the Central Bank of Norway

Postal address
P.O. Box 0179 Sentrum,
NO-0I07 Oslo

Visiting address
Bankplassen 2,
Oslo

Tel: +47 24 07 30 00
Fax: +47 24 07 30 01
www.nbim.no

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- In ESRS E1 (Climate Change), paragraph 12 states that "the requirements of this section should be read and applied in conjunction with the disclosures required by ESRS 2 on Chapter 2 Governance..." followed by paragraph 13 which requires additional specific climate governance disclosures.
- In ESRS S1 (Own Workforce), Disclosure Requirement S1-2, paragraph 27(c) requires specific information on "the function and the most senior role within the undertaking that has operational responsibility for ensuring that this engagement happens and that the results inform the undertaking's approach" when discussing workforce engagement processes.
- In additional Topical Standards: Each additional topical standard (E2-Pollution, E3-Water, S2-Workers in Value Chain, etc.) further requires similar governance disclosures.

Examples of repetitive strategy & business model (SBM) disclosures:

- In ESRS 2 (General Disclosures): Disclosure Requirement SBM-1, paragraph 40 states: "The undertaking shall disclose the following information about the key elements of its general strategy that relate to or affect sustainability matters: (a) a description of: i. significant products, services, markets and geographical areas in which the undertaking operates..."
- In ESRS E1 (Climate Change): Disclosure Requirement related to ESRS 2 SBM-3, paragraph 19 states: "The undertaking shall describe the resilience of its strategy and business model in relation to climate change. This description shall include: (a) the scope of the resilience analysis; (b) how and when the resilience analysis has been conducted..."
- In ESRS S1 (Own Workforce): Disclosure Requirement related to ESRS 2 SBM-3, paragraph 13 states: "When responding to ESRS 2 SBM-3 paragraph 48, the undertaking shall disclose: whether and how actual and potential impacts on its own workforce as identified in ESRS 2 IRO-1... (i) originate from or are connected to the undertaking's strategy and business models..."
- This pattern continues across all topical standards, requiring companies to segment their integrated sustainability strategy into separate, overlapping disclosures for each topic.

Examples of repetitive impact, risk & opportunity management (IRO) disclosures:

- In ESRS 2 (General Disclosures): Disclosure Requirement IRO-1, paragraph 51 requires companies to "disclose its process to identify its impacts, risks and opportunities and to assess which ones are material." This creates a general framework for risk management across all sustainability matters.
- In ESRS E1 (Climate Change): Disclosure Requirement related to ESRS 2 IRO-1, paragraph 20 requires companies to "describe the process to identify and assess climate-related impacts, risks and opportunities," with specific requirements for climate impacts, physical risks, and transition risks.
- In ESRS S1 (Own Workforce): Disclosure Requirement S1-4, paragraph 35 requires companies to "disclose how it takes action to address material negative and positive impacts, and to manage material risks and pursue material opportunities related to its own workforce, and the effectiveness of those actions."
- This pattern continues across all topical standards.

Examples of repetitive MDRs:

- **For Actions (MDR-A):** ESRS 2, Actions MDR-A, paragraph 68 requires undertakings to provide specific information about actions: "Where the implementation of a policy requires actions, or a comprehensive action plan, to achieve its objectives, as well as when actions are implemented without a specific policy, the undertaking shall disclose the following information: (a) the list of key actions taken in the reporting year and planned for the future, their expected outcomes...(b) the scope of the key actions...(c) the time horizons under which the undertaking intends to complete each key action..."[59]

- ESRS E1 (Climate Change), Disclosure Requirement E1-3, paragraph 28 requires the same information as ESRS 2 MDR-A: "The description of the actions and resources related to climate change mitigation and adaptation shall follow the principles stated in ESRS 2 MDR-A Actions and resources in relation to material sustainability matters."[60] Then paragraph 29 adds climate-specific requirements.[61]
- ESRS S1 (Own Workforce), Disclosure Requirement S1-4, paragraph 37 similarly requires the same information as ESRS 2 MDR-A: "The undertaking shall provide a summarised description of the action plans and resources to manage its material impacts, risks, and opportunities related to its own workforce in accordance with ESRS 2 MDR-A Actions and resources in relation to material sustainability matters." Then paragraphs 38-43 add workforce-specific action requirements.[62]
- ESRS S2 (Workers in the Value Chain), Disclosure Requirement S2-4, paragraph 31 follows the same pattern, requiring disclosure of actions "as per ESRS 2 MDR-A Actions and resources in relation to material sustainability matters"[63] while adding value chain worker-specific action requirements in subsequent paragraphs.[64]

- **Likewise, for Targets (MDR-T):** ESRS 2, Targets MDR-T, paragraph 80 requires disclosure of "measurable, outcome-oriented and time-bound targets" with ten specific elements for each target: (a) relationship to policy objectives, (b) defined target level, (c) scope, (d) baseline value and base year, (e) applicable period and any milestones, (f) methodologies and assumptions, (g) scientific basis for environmental targets, (h) stakeholder involvement, (i) any changes in targets or metrics, and (j) performance monitoring.[65]
- ESRS E1 (Climate Change), Disclosure Requirement E1-4, paragraph 34 requires the same ESRS 2 MDR-T information plus climate-specific elements.[66]
- Similarly, ESRS S1 (Own Workforce), Disclosure Requirement S1-5, paragraph 46 requires the same ESRS 2 MDR-T information[67] plus workforce-specific elements (paragraph 47).[68]

[59] ESRS 2, Minimum Disclosure Requirement – Actions MDR-A – Actions and resources in relation to material sustainability matters, paragraph 68
[60] ESRS E1 (Climate Change), Disclosure Requirement E1-3 – Actions and resources in relation to climate change policies, paragraph 28.
[61] ESRS E1 (Climate Change), Disclosure Requirement E1-3 – Actions and resources in relation to climate change policies, paragraph 29.
[62] ESRS E1 (Climate Change), Disclosure Requirement E1-3 – Actions and resources in relation to climate change policies, paragraph 38-43.
[63] ESRS S2 (Workers in the Value Chain), Disclosure Requirement S2-4 – Taking action on material impacts on value chain workers, and approaches to managing material risks and pursuing material opportunities related to value chain workers, and effectiveness of those actions, paragraph 31.
[64] ESRS S2 (Workers in the Value Chain), Disclosure Requirement S2-4 – Taking action on material impacts on value chain workers, and approaches to managing material risks and pursuing material opportunities related to value chain workers, and effectiveness of those actions, paragraph 32 to 38.
[65] ESRS 2, Minimum Disclosure Requirement – Targets MDR-T – Tracking effectiveness of policies and actions through targets, paragraphs 78-81.
[66] ESRS E1, Disclosure Requirement E1-4 – Targets related to climate change mitigation and adaptation, paragraph 34.
[67] ESRS S1, Disclosure Requirement S1-5 – Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities, paragraphs 46.
[68] ESRS S1, Disclosure Requirement S1-5 – Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities, paragraphs 47.

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is a part of Norges Bank – the Central Bank of Norway

Postal address
P.O. Box 0179 Sentrum,
NO-0I07 Oslo

Visiting address
Bankplassen 2,
Oslo

Tel: +47 24 07 30 00
Fax: +47 24 07 30 01
www.nbim.no

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- ESRS S2 (Workers in the Value Chain), Disclosure Requirement S2-5, paragraph 37 follows the same pattern by requiring the same ESRS 2 MDR-T information[69] plus value chain worker-specific elements (paragraph 37-39)[70]

Examples for consolidating overlapping MDRs

- For example, ESRS 2, Minimum Disclosure Requirement Policies MDR-P, paragraph 65(c) requires disclosure of "the most senior level in the undertaking's organisation that is accountable for the implementation of the policy."[71]
- This duplicates ESRS 2, Minimum Disclosure Requirement GOV-1, paragraph 22(a) which already requires disclosure on "the identity of the administrative, management and supervisory bodies (such as a board committee or similar) or individual(s) within a body responsible for oversight of impacts, risks and opportunities."[72]
- These overlapping ESRS requirements could be consolidated and aligned with IFRS S1 paragraph 27: "To achieve this objective, an entity shall disclose information about: (a) the governance body(s) (which can include a board, committee or equivalent body charged with governance) or individual(s) responsible for oversight of sustainability-related risks and opportunities. Specifically, the entity shall identify that body(s) or individual(s) and disclose information about: (i) how responsibilities for sustainability-related risks and opportunities are reflected in the terms of reference, mandates, role descriptions and other related policies applicable to that body(s) or individual(s)..." This streamlined approach to MDRs would directly support alignment with IFRS S1's efficient framework for metrics and targets (paragraphs 45-53).

- Similarly, ESRS 2, Minimum Disclosure Requirement Policies MDR-P, paragraph 65(e) requires "if relevant, a description of the consideration given to the interests of key stakeholders in setting the policy."[73] ESRS 2, Minimum Disclosure Requirement Policies MDR-P, paragraph 65(f) requires "if relevant, whether and how the undertaking makes the policy available to potentially affected stakeholders."[74]
- These overlap with ESRS 2, Disclosure Requirement SBM-2, paragraph 45(a), which already requires disclosure of "its stakeholder engagement, including: i. the undertaking's key stakeholders; ii. whether engagement with them occurs and for which categories of stakeholders; iii. how it is organised; iv. its purpose; and v. how its outcome is taken into account by the undertaking."[75]
- These stakeholder-related ESRS disclosure requirements could be consolidated and aligned with IFRS S1 paragraph 44(a): "To achieve this objective, an entity shall disclose information about: (a) the processes and related policies the entity uses to identify, assess, prioritise and monitor sustainability-related risks..."

[69] ESRS S2, Disclosure Requirement S2-5 – Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities, paragraphs 41.
[70] ESRS S2, Disclosure Requirement S2-5 – Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities, paragraphs 42.
[71] ESRS 2, Minimum Disclosure Requirement – Policies MDR-P – Policies adopted to manage material sustainability matters, paragraph 65(c).
[72] ESRS 2, Disclosure Requirement GOV-1 – The role of the administrative, management and supervisory bodies, paragraph 22(a).
[73] ESRS 2, Minimum Disclosure Requirement – Policies MDR-P - Policies adopted to manage material sustainability matters, paragraph 65(e).
[74] ESRS 2, Minimum Disclosure Requirement – Policies MDR-P - Policies adopted to manage material sustainability matters, paragraph 65(f).
[75] ESRS 2, Disclosure Requirement Strategy & Business Model (SBM)-2 - Interests and views of stakeholders, paragraph 45(a).

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is a part of Norges Bank – the Central Bank of Norway

Postal address
P.O. Box 0179 Sentrum,
NO-0I07 Oslo

Visiting address
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Oslo

Tel: +47 24 07 30 00
Fax: +47 24 07 30 01
www.nbim.no

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- By consolidating overlapping MDR requirements at the entity level, EFRAG would create a natural opportunity to adopt identical wording and metrics as outlined in our global alignment recommendations.

Section 3: Maintaining the right balance

Examples of excessively process-oriented qualitative disclosures:

- **For example, ESRS E4-2, AR 17 (Third-party standard of conduct requirements)**, paragraphs (a)-(e) mandate extensive disclosure about the procedural aspects of third-party standards used in biodiversity policies. Companies must report whether standards are "objective and achievable based on scientific approach" (AR 17a), "developed through process of ongoing consultation with relevant stakeholders" (AR 17b), "encourage step-wise approach and continuous improvement" (AR 17c), are "verifiable through independent certifying bodies" (AR 17d), and "conform to ISEAL Code of Good Practice" (AR 17e).[76] These requirements create disproportionate reporting burden focused on the process of standard development rather than the environmental outcomes achieved.

- **ESRS S3-2 (Engagement with affected communities)**, paragraph 21 requires companies to explain "whether engagement occurs with affected communities or their legitimate representatives directly, or with credible proxies", "the stage(s) at which engagement occurs, the type of engagement, and the frequency", and "the function and the most senior role within the undertaking that has operational responsibility".[77] Paragraph 22 then requires elaboration on "steps it takes to gain insight into the perspectives of affected communities that may be particularly vulnerable" While understanding governance processes provides context, these requirements create disproportionate reporting burden by emphasizing procedural details over measurable outcomes.[78]

- **ESRS G1-3 (Anti-corruption and anti-bribery training)**, paragraph 21a requires detailed disclosure on "nature, scope and depth of anti-corruption or anti-bribery training programmes offered or required" without focusing on effectiveness or outcomes.[79]

Section 4: Granularity reduction

General examples:

- **For example, ESRS S2 (Workers in the Value Chain)** Disclosure Requirement S2-2 demands reporting on whether engagement "occurs with value chain workers or their legitimate representatives directly, or with credible proxies".[80] Companies must disclose "the stage(s) at which engagement occurs, the type of engagement, and the frequency of the engagement".[81]

[76] ESRS E4 (Biodiversity and Ecosystems) Disclosure Requirement E4-2 – Policies related to biodiversity and ecosystems, AR 17, paragraphs (a)-(e).
[77] ESRS S3 (Affected Communities) Disclosure Requirement S3-2 – Processes for engaging with affected communities about impacts, paragraph 21.
[78] ESRS S3 (Affected Communities) Disclosure Requirement S3-2 – Processes for engaging with affected communities about impacts, paragraph 22.
[79] ESRS G 1 (Business Conduct) Disclosure Requirement G1-3 – Prevention and detection of corruption and bribery, paragraph 21(a).
[80] ESRS S2 (Workers in the Value Chain) Disclosure Requirement S2-2 – Processes for engaging with value chain workers about impacts, paragraph 22.
[81] Ibid.

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Postal address
P.O. Box 0179 Sentrum,
NO-0I07 Oslo

Visiting address
Bankplassen 2,
Oslo

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Fax: +47 24 07 30 01
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They must also report on "the function and the most senior role within the undertaking that has operational responsibility".[82] For companies with extensive global value chains, this creates complex reporting matrices with limited proportional benefit.

- **Likewise, ESRS G1 (Business Conduct)** Disclosure Requirement G1-5 requires reporting on "political influence and lobbying activities" with detailed administrative requirements. Amongst other disclosures, companies must report on "appointment of any members of the administrative, management and supervisory bodies who held a comparable position in public administration in the 2 years preceding such appointment."[83] They must also disclose "how monetary value of in-kind contributions is estimated".[84] While transparency on lobbying is important, these administrative and procedural details create reporting complexity without proportionate analytical benefit.

Section 5: Most relevant disclosures

Additional examples:

- **In ESRS S1 (Own Workforce), which is special status materiality-dependent topical standard, we find particular value in disclosure requirements that align with IFRS S1, industry-specific SASB metrics, our expectation documents and position papers:**
  - S1-1, paragraph 19: Disclosure of policies to manage material impacts, risks and opportunities related to the own workforce.[85]
  - S1-17, paragraph 104a: Disclosure of the number of severe human rights issues and incidents connected to the own workforce.[86]
  - S1-16, paragraph 97a: Disclosure of gender pay gap.[87]
  - S1-4, paragraph 38a: Description of action taken, planned or underway to prevent or mitigate negative impacts on own workforce.[88]

- **In additional materiality-dependent topical standards, we find particular value in those disclosure requirements that align with industry-specific SASB metrics, our expectations documents and position papers.** Examples include:

[82] Ibid.
[83] ESRS G1 (Business Conduct) Disclosure Requirement G1-5 – Political influence and lobbying activities, paragraph 30.
[84] ESRS G1 (Business Conduct) Disclosure Requirement G1-5 – Political influence and lobbying activities, paragraph 29b (ii).
[85] NBIM Human Rights Expectations: "Companies should have a publicly available policy commitment to meet their responsibility to respect human rights, including within their value chain." See Human rights expectation of companies I Norges Bank Investment Management. Also see, IFRS S1, paragraphs 54-58 and industry-specific SASB metrics such as EM-MM-310a.1 (Metals & Mining).
[86] NBIM Human Rights Expectations: "Companies should conduct ongoing human rights due diligence, from a risk-based perspective. They should strive to map out all potentially impacted stakeholders and to identify actual and potential adverse impacts." See Human rights expectation of companies I Norges Bank Investment Management. Also see, IFRS S1, paragraphs 43-44 and SASB industry-specific metrics such as CG-AA-430b.1 (Apparel, Accessories & Footwear).
[87] NBIM Human Capital Management Expectations: "Companies should have and be open about systems to actively monitor and manage pay equity, including clear definitions and indicators of pay equity and relevant metrics and targets." See Human capital management expectation of companies | Norges Bank Investment Management. Also see, IFRS S1, paragraph 50 and industry-specific SASB workforce metrics such as such as TC-SI-330a.3 (Software & IT Services).
[88] NBIM Human Rights Expectations: " Company policies should include measures to identify and address salient human rights risks, including, where appropriate, through cessation, prevention, mitigation and remediation of adverse human rights impacts." See Human rights expectation of companies I Norges Bank Investment Management. Also see, IFRS S1, paragraph 33(a) and industry-specific SASB metrics such as EM-MM-310a.2 (Extractives & Minerals Processing).

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is a part of Norges Bank – the Central Bank of Norway

Postal address
P.O. Box 0179 Sentrum,
NO-0107 Oslo

Visiting address
Bankplassen 2,
Oslo

Tel: +47 24 07 30 00
Fax: +47 24 07 30 01
www.nbim.no

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- G1-3, paragraph 18a: Information about procedures in place to prevent, detect, and address allegations or incidents of corruption or bribery.[89]
- ESRS E2-5, paragraph 34: Disclosure of total amounts of substances of concern that are generated, used, or procured during production, and that leave facilities as emissions, products, or part of products or services.[90]
- ESRS S2-4, paragraph 22a: Taking actions to address material impacts on value chain workers, and management of related material risks and opportunities.[91]

[89] NBIM Anti-Corruption Expectations state: "Companies should have adequate internal controls, ethics and compliance programmes to prevent, detect and respond to corruption." See Anti-corruption expectation of companies | Norges Bank Investment Management. Also see, industry-specific SASB metrics such as EM-EP-510a.2 (Oil & Gas Exploration & Production).
[90] NBIM Biodiversity and Ecosystems Expectations state: "Companies should disclose material impacts of activities, products and services on biodiversity and ecosystems, where possible using recognised reporting methods and metrics." See Biodiversity and ecosystems expectation of companies I Norges Bank Investment Management. Also see, industry-specific SASB metrics RT-CH-410b.1 and RT-CH-410b.2 (Chemicals).
[91] NBIM Human Rights Expectations state: "Companies should have adequate due diligence processes to manage social risks in supply chains". See Human rights expectation of companies I Norges Bank Investment Management. Also see, industry-specific SASB metrics such as CG-AA-430b.1, CG-AA-430b.2, and CG-AA-430b.3 (Apparel, Accessories & Footwear).

Postal address
P.O. Box 0179 Sentrum,
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Visiting address
Bankplassen 2,
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