

European Commission
DG FISMA, Unit B2, Sustainable Finance
Rue de Spa, 2
1000 Brussels

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European Commission consultation on the renewed sustainable finance strategy

We refer to the European Commission's consultation on the renewed sustainable finance strategy and welcome the opportunity to contribute our perspective.

Norges Bank Investment Management is the investment management division of the Norwegian Central Bank and is responsible for investing the Norwegian Government Pension Fund Global. 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.

We responded to the Commission's online survey. In this letter, we highlight three important areas for responsible investment, which would benefit from further harmonisation at EU level: corporate sustainability reporting, supply chain due diligence and shareholder voting.

Corporate sustainability reporting

To integrate environmental and social risks in financial decision-making, investors need better information from companies on their risk exposure (to determine whether a company is exposed to a specific sustainability issue), risk management (to understand how companies manage relevant sustainability risks and opportunities) and performance in managing these issues (through relevant, comparable and reliable key performance indicators).¹

We welcome the Commission's decision to revise the Non-Financial Reporting Directive and thereby improve corporate sustainability reporting. We encourage the Commission to build on existing international standards, to ensure comparability of disclosures at international level. For sustainability information to support investment decisions, risk management processes and ownership activities across a diversified portfolio, it must be consistent and comparable across companies and over time.

Supply chain due diligence

As an investor, we have an inherent interest in how companies manage their use of natural and social resources, and address supply chains risks. This can have a bearing on their

¹ Norges Bank Investment Management, Asset Manager Perspective, *Corporate Sustainability Reporting*





ability to create financial value. Furthermore, the long-term legitimacy of sectors and markets depends, among other things, on operations and products that are ethically acceptable.

We believe companies should fulfil their objective of long-term value creation within accepted principles for responsible business conduct. We expect companies to follow the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (UNGP). They should understand the broader consequences of their operations on society and the environment, set their own priorities to address these, and account for associated outcomes. They should have an adequate supply chain management system in place, including policies and measures for detecting, preventing and responding to environmental and human right risks in their supply chain.

It would be helpful to have a European harmonised approach to supply chain due diligence, that would implement international standards in a consistent manner, thereby ensuring a level-playing field for companies operating in the Single Market.

Shareholder voting process

To exercise their ownership rights, investors need to be able to vote at company meetings in all markets. Yet we sometimes encounter obstacles due to manual processes, lack of standardisation and diverging rules.² We would thus welcome further harmonisation of rules, for instance regarding the cut-off date, the timing between the receipt of the meeting's materials and the deadline to cast vote, as well as the introduction of automatic vote confirmation (not solely on request).

Another area that could benefit from further harmonisation at EU level is the right for shareholders to file proposals. Shareholder proposals are an important feature of the corporate governance ecosystem and, in certain markets, they have been instrumental in spurring adoption of best practices on environmental and social matters and in flagging material risks³. Further harmonisation would, in our view, not necessarily entail removing the ownership thresholds for filing a proposal, but rather instituting a more streamlined and straightforward filing process that long-term investors with a reasonable stake in the company can utilise to raise important matters at annual meetings.

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, Corporate Governance

² Norges Bank Investment Management, Asset Manager Perspective, *Shareholder Voting Process* (2020)

³ Norges Bank Investment Management, Asset Manager Perspective, *Shareholder Proposals on Sustainability* (2020)