

Climate Disclosure Standards Board
C/O CDP Worldwide
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Updates to the CDSB Framework, for reporting environmental and social information

Norges Bank Investment Management (“NBIM”) appreciates the opportunity to respond to the Climate Disclosures Standard Board (CDSB)’s consultation on updates to its framework for reporting environmental and social information.

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 assets valued at NOK 10,914 billion kroner¹.

As a long-term investor, we have an inherent interest in how companies manage their use of natural and social resources, as this can have a bearing on their ability to create financial value. We benefit from information on companies’ exposure to sustainability risks, how these are managed, and relevant performance metrics.

Voluntary sustainability reporting frameworks, such as the one developed by the CDSB, have played an important role in providing guidance and thereby improving companies’ reporting on environmental and social issues. However, due to the multitude of standards and their voluntary nature, the information disclosed by companies is not always complete, consistent, or comparable across markets. The reporting process can also be burdensome for companies. Therefore, we welcome the formation of the International Sustainability Standards Board (ISSB) and its ambition to develop a comprehensive global baseline of high-quality sustainability disclosure standards to meet investors’ information needs. We note that the CDSB, among others, will soon be consolidated into the new board. In this context, we hope that our response will also be useful for the ISSB’s work.

In its consultation document, the CDSB proposes to expand the scope of its framework to include social information. We welcome this decision and hope the future ISSB standards will also cover social matters, as there is a need for global and comprehensive standards for reporting information on social issues. We welcome the CDSB’s efforts to ensure alignment of its framework with the UN Guiding Principles on Business and Human Rights and the OECD

¹ As of December 31, 2020



Guidelines for Multinational Enterprises when it comes to social information. We note that the CDSB's definition of social impacts focuses on the ability of people to realise their human rights. In our view, social impacts could also encompass issues that impact society at large, without necessarily being a breach of human rights (such as corrupt and anti-competitive practices, disregard for consumer interests and welfare, and lack of tax transparency).

Overall, the updated CDSB Framework provides strong principles for sustainability reporting (such as the forward-looking perspective, materiality and verifiability), and covers most of the information we expect companies to disclose on sustainability issues. Nevertheless, we believe the use of the CDSB Framework alone may not result in information that is "clear, concise and comparable" – which is one of the framework's stated objectives. The guidance is quite complex, thereby potentially difficult for companies to use. We believe it is not always clear what constitutes reporting *requirements* and what constitutes *guidance* under the framework. While the information disclosed may be useful for an in-depth understanding of a single company's sustainability performance, it is unlikely to be comparable across companies and therefore may not allow portfolio analysis.

Finally, as the framework does not include a comprehensive list of indicators which could help investors assess companies' performance in managing sustainability risks and opportunities, it might be preferable for CDSB to maintain a principle-based approach (rather than pointing at a couple of performance indicators only).

Please find below our responses to your online questionnaire.

Yours faithfully,

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Annex – Responses to the CDSB's online questionnaire

1. 1. Do you agree with objectives and expanded scope of the CDSB Framework?

As a long-term investor, we expect companies to address and report on material sustainability issues that could affect their future performance. Therefore, we support



the objectives of the CDSB Framework, especially the objective to help companies disclose environmental and social information in connection with financial information.

One of the objectives of the framework is to help companies provide “clear, concise and comparable” information. We believe the use of the CDSB Framework alone may not lead to such outcome. The guidance is quite complex and therefore potentially difficult for companies to use. We believe it is not always clear what constitutes reporting *requirements* and what constitutes *guidance* under the framework. Furthermore, while the information disclosed may be useful for an in-depth understanding of a single company’s sustainability performance, it is unlikely to be comparable across companies and therefore may not allow portfolio analysis.

We agree with the CDSB’s observation that there is a need for a comprehensive framework for reporting information on social issues, with a financial materiality focus. We welcome the CDSB’s decision to expand the scope of its existing framework to include these topics. Most importantly, we look forward to the work of the ISSB, which we believe will be in a unique position to develop a comprehensive global baseline of sustainability-related disclosure standards – which should include social information.

2. Do you believe the principles will effectively support the disclosure of high-quality, decision-useful environmental and social information?

We welcome the emphasis on both **relevance** and **materiality**, as well as the **forward-looking perspective** in the guiding principles underpinning reporting against the CDSB framework.

As a starting point, we expect companies to provide information on social or environmental issues which are financially material to their business. We rely on both information about the current performance of a company and information about drivers of value that may be relevant for its long-term performance. Financially material sustainability information should be **integrated into financial disclosures** – as recommended by the CDSB. In addition, companies also need to report more broadly on sustainability, as they have a wide set of stakeholders. We believe that company boards should consider the broader environmental and social consequences of business operations and account for associated outcomes. Such outcomes may themselves become financially material over time, especially for diversified investors whose long-term return depends on sustainable economic, environmental and social development. Information on sustainability issues which are not financially material could be disclosed through other channels than annual reports.

We also agree with the CDSB’s emphasis on **faithful representation**, **consistency** and **comparability** when reporting sustainability information. Finally, the information that forms the basis for disclosures should be **verifiable**. For investors to confidently use sustainability information, it needs to be subject to similar quality control as other information companies provide to financial markets. Data-collection processes and documentation should be rigorous enough to allow for third-party verification or assurance.



3. Do you believe the reporting requirements will effectively support the disclosure of high quality, decision-useful environmental and social information?

Investors need better information on risk exposure (to determine whether a company is exposed to a specific sustainability issue), on risk management (to understand how companies manage relevant sustainability risks and opportunities) and on performance (through relevant, comparable and reliable key performance indicators, using recognised calculation methodologies).²

- We welcome the requirements on how companies **manage environmental and social risks and opportunities**, and how they **perform** on their environmental and social strategies. The information that we expect companies to disclose is largely consistent with the information covered in the CDSB reporting requirements 1-3.³
- We see the usefulness of reporting on the **drivers (“material sources”) of environmental and social impacts** (REQ-4). For such information to be useful, it should be accompanied by information about efforts and actions taken to mitigate negative impacts, including an assessment of the effects of such mitigating activities. In addition to account for the drivers of negative impacts, companies could also account for the drivers of positive impacts on the environment and people.
- We agree with the reporting requirements that outline **how the environmental and social information should be reported** (REQ 7-12). As regards to the statement of conformance with the CDSB Framework, it could be useful to ascertain the comprehensiveness of company reporting. At the same time, it is important to clarify what constitutes reporting *requirements* and what constitutes *guidance* under the framework. There is a certain ambiguity, as conformance with some of the reporting requirements seems to only be satisfied when disclosures cover the details provided in the guidance.
- Some of the **terminology** used in the reporting requirements could benefit from further clarification to support high-quality and decision-useful disclosures. For example, the reporting requirements refer to environmental and social *opportunities, impacts, performance, results and effects*. These concepts need to be clearly distinguished to ensure standardised and comparable disclosures.

4. Do you believe that the principles and reporting requirements will effectively support the disclosure of well-connected environmental and social information?

The updated CDSB Framework ensures that both environmental and social issues are addressed in company reporting. We support the principle that the links between

² Norges Bank Investment Management, Asset Manager Perspectives, *Corporate Sustainability Reporting*, March 2020 <https://www.nbim.no/en/publications/asset-manager-perspectives/2020/corporate-sustainability-reporting/>

³ Norges Bank Investment Management, Expectation Documents, <https://www.nbim.no/en/publications/expectation-documents/>





environmental and social information, as well as the link between such information and financial information, should be explained in company reporting (P3).

Although the framework provides some *guidance* on how to report on the links between environmental and social strategies, risks, opportunities and impacts, the current wording of the *requirements* does not seem to reflect the need to disclose the links between environmental and social information.

5. Do you agree with the definitions used, particularly those relating to social?

We note that the CDSB's definition of *social impacts* focuses on the ability of people to realise their human rights. In our view, social impacts could also encompass issues that impact society at large, such as corrupt and anti-competitive practices, disregard for consumer interests and welfare, and lack of tax transparency.

6. Do you agree with the determination of income inequality as a systemic risk relevant to all companies? Do you believe the disclosure on the provision of living wage for workers is an appropriate and useful disclosure?

We see how income inequality may represent a risk for some companies, and why the provision of living wage for workers may be a relevant performance indicator. However, we question whether risks related to income inequality should be guiding considerations for what constitutes material social information. There might be other systems-level risks that are equally relevant in informing what constitutes material social information, and we believe that companies are best placed to identify such risks.

Secondly, as the CDSB framework does not include a comprehensive list of indicators, we would recommend for it to maintain a principle-based approach (rather than pointing at a couple of performance indicators only). At this stage, companies are best placed to define relevant and material performance indicators on social issues. However, we hope the ISSB will develop a list of relevant metrics and indicators for social information, using the industry-specific standards developed by SASB as a starting point.

7. Any other comments?

We welcome the CDSB's efforts to ensure alignment of its Framework with the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for multinational companies, when it comes to social information.

