Norges Bank
Investment
Management

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EFRAG Call for Input on Revision of the European Sustainability Reporting Standards

I. Introduction

Norges Bank Investment Management (NBIM) is the investment management division of the Norwegian Central Bank (Norges Bank). We are responsible for investing the Norwegian Government Pension Fund Global. As of year-end 2024, we managed EUR 1.67 trillion in assets, including EUR 284 billion invested across 1,066 companies in the 27 European Union countries. We are a long-term investor working to safeguard financial wealth for future generations.

We welcome this consultation on the European Sustainability Reporting Standards (ESRS) revision. 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 sustainability information to assess companies' long-term prospects.

We support the European Financial Reporting Advisory Group's (EFRAG) efforts to simplify the ESRS. The revised standards present an opportunity to reduce reporting burden on companies while preserving decision-useful information for investors. The proposed revisions have enhanced alignment with global standards, simplified reporting structure, reduced duplication, and sharpened focus on decision-useful information.

However, further progress is needed to achieve complete interoperability with global standards. The European Commission mandate clearly requires EFRAG to ensure as much interoperability as possible with these standards. In line with this mandate, we recommend:

- Full alignment between ESRS and the International Sustainability Standards Board (ISSB) standards through consistent terminology, metrics, and relief provisions.
- Maintaining all existing provisions already aligned with ISSB and avoiding new amendments that would negatively impact interoperability. For example, quantitative disclosures of anticipated financial effects should remain mandatory rather than becoming permanently voluntary.

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- Explicit incorporation of Sustainability Accounting Standards Board (SASB) standards in the ESRS double materiality assessment process to strengthen financial materiality alignment with ISSB and provide industry-specific guidance.
- Explicit reference to the Taskforce on Nature-related Financial Disclosures (TNFD) core metrics in the mandatory text of ESRS E4 (Biodiversity and Ecosystems) to address the absence of specific biodiversity metrics and provide a standardized measurement framework.

These recommendations should reduce reporting complexity while advancing a unified global sustainability reporting infrastructure that delivers consistent, comparable information investors need.

We caution that certain new relief provisions diverging from ISSB standards may allow omission of material information and increase implementation complexity rather than reducing it.

II. Positive amendments

We are pleased to see progress in three areas:

1. Enhanced alignment with global standards

EFRAG has made some progress in aligning the amended ESRS with global standards. In our previous[1] feedback, we recommended EFRAG to align ESRS with ISSB standards through identical wording and metrics where possible. We welcome the improvements in ESRS 1 General Requirements, ESRS 2 General Disclosures, and ESRS E1 Climate Change. However, we see further opportunities for complete harmonization of terminology, metrics, and relief provisions.[2]

The amended ESRS now apply a materiality filter to all reported information, aligning with ISSB's approach. The fair presentation framework advances this alignment further, particularly for the financial materiality component of ESRS double materiality assessment. We welcome these changes as they shift focus from strict compliance to disclosure of more decision-useful information for investors.

We particularly value EFRAG's permanent reference to IFRS Industry Based Guidance (including IFRS S2 and SASB Standards) for entity-specific disclosures. To enhance interoperability further, we recommend explicitly incorporating SASB standards into the ESRS double materiality assessment process. SASB standards are specifically designed to identify financially material sustainability topics and metrics by industry, which would provide structured guidance for companies as they determine which sustainability issues affect their financial performance.

[1] EFRAG call for input on revision of the European Sustainability Reporting Standards | Norges Bank Investment Management.
[2] For example, further terminology alignment opportunities include scenario analysis disclosures in ESRS E1 (Climate Change) and resilience assessment disclosures in ESRS 2 Strategy, Business Model and Management (SBM-3).

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2. Simpler structure and reduced duplication

EFRAG has improved the ESRS organization to make the standards simpler and less repetitive. In our previous feedback, we identified how the original ESRS structure created reporting inefficiencies.[3] EFRAG has now streamlined this approach by allowing companies to report core information once rather than repeating similar details across multiple sections.[4] We welcome this change, as it improves clarity, reduces repetition, and results in more effective application of the standards by companies.

3. Sharpened focus on decision-useful information

In our previous response, we recommended streamlining process-oriented disclosure requirements while preserving decision-useful disclosures. We note that EFRAG has made progress in this area. We support the reorganization that clearly separates mandatory from non-mandatory requirements, and eliminates "may disclose" provisions, as it makes the application of the standards more effective.

However, we are concerned that EFRAG has proposed deletion of seven ISSB-aligned disclosure requirements.[5] This contradicts the European Commission's direction to enhance interoperability with global standards. While datapoint reduction is important for simplification, the threshold for removing ISSB-aligned datapoints should be high. Preserving these aligned datapoints would better serve both European companies seeking reporting efficiency and international investors requiring consistent information.

Additionally, given that specific biodiversity metrics have been removed from the mandatory section of ESRS E4 (Biodiversity and Ecosystems), we recommend incorporating an explicit reference to the TNFD core global disclosure metrics in the mandatory text itself. While the Non-Mandatory Implementation Guidance mentions TNFD as a framework companies "might consider", reference in the mandatory text would establish a clear measurement standard, ensure comparable reporting, and align with emerging global standards. This approach would provide necessary structure in an area experiencing a 78% reduction in disclosure requirements.

III. Areas for further consideration

[3] The original standards used a complex structure where "Minimum Disclosure Requirements" of ESRS 2 established general reporting obligations on policies, actions, targets, and metrics that applied across all material topics. These requirements were then duplicated with additional details in each topical standard.
[4] EFRAG has: (i) renamed the "Minimum Disclosure Standards" as "General Disclosure Requirements"; (ii) significantly reduced mandatory specifications in topical standards; and (iii) encouraged cross-referencing to avoid information repetition.
[5] The seven deleted datapoints include: (i) management's role in governance processes for sustainability (ESRS 2 General disclosures GOV-1); (ii) monitoring progress against previously disclosed actions (ESRS 2 General disclosures - Mandatory Disclosure Requirement for actions and resources in relation to material topics); (iii) methodology details for Scope 3 greenhouse gas emissions measurements (ESRS E1 Climate change Application Requirement 46(g) amended); (iv) integration of sustainability into risk management (ESRS 2 General disclosures IRO-1 [Impact, Risk and Opportunity], paragraph 53(e)); (v) gross greenhouse gas emissions intensity (ESRS E1 Climate change paragraph 53 amended); (vi) sustainability-related remuneration for management bodies (ESRS 2 General disclosures GOV-2); and (vii) information on how climate considerations factor into executive remuneration (ESRS 2 General disclosures GOV-2).

While acknowledging these positive developments, we remain concerned about certain amendments that reduce interoperability with ISSB standards. These changes compromise comparability across reporting frameworks and diminish the quality of information available to us as investors.

1. **Anticipated financial effects disclosures**

EFRAG's proposed changes to anticipated financial effects disclosures create two significant concerns:

First concern: scope limitation

EFRAG proposes limiting disclosures on financial effects to "information on future investments and plans that are already announced".[6] This departs from the comprehensive framework established in ISSB Standards and creates fragmentation in global reporting.[7] Investors need a complete financial picture of how sustainability issues affect a company's business. EFRAG's narrower focus would fundamentally alter the purpose of financial effects disclosure.

Additionally, the scope limitation proposed by EFRAG undermines the connectivity between sustainability-related financial disclosures and financial statement information, which is crucial for integrated investment analysis. We note that none of the 35+ jurisdictions adopting ISSB standards have suggested reliefs from this disclosure requirement. Rather than reducing requirements, a better approach would be implementing capacity building initiatives and adopting ISSB-aligned relief mechanisms.

Second concern: option to make quantitative disclosures of anticipated financial effects permanently voluntary

EFRAG presents two options for anticipated financial effects disclosures.[8] We recommend Option 1, which requires companies to disclose both qualitative and quantitative information but allows omitting quantitative information under specific circumstances.[9] This provision maintains interoperability with ISSB and does not make quantitative disclosures permanently voluntary.

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[6] See, EFRAG's Basis for Conclusions for the [Draft] Amended ESRS Exposure Drafts - July 2025, page 16, paragraph 80.This is a part of the horizontal reliefs proposed as Lever 5 in the Basis of Conclusions, Chapter 4.

[7] The ISSB approach comprehensively covers six essential categories of financial effects. These include: current financial position impacts; financial performance effects; future cash flow implications; capital deployment; financial resilience and opportunity assessment. Together, these categories provide investors critical context for evaluating business decisions and assessing enterprise value. See, IFRS S1 paragraphs 14 and 41. EFRAG's proposed approach would focus primarily on the capital deployment category while substantially reducing requirements for the other five areas.

[8] See Amended ESRS 2 General disclosures, paragraph 23.

[9] According to the Exposure Draft, Option 1 allows companies to omit quantitative information in two circumstances that align with ISSB standards: when they cannot measure the financial effect of a specific topic separately, or when measurement uncertainty is so high that the resulting information would not be useful. The Exposure Draft also includes an additional EFRAG-specific relief allowing omission when there is no reasonable and supportable information derived from business plans to calculate long-term financial effects. See, EFRAG's Basis for Conclusions for the [Draft] Amended ESRS Exposure Drafts - July 2025, page 15, paragraphs 74 and 75.

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As investors, we require financial effects disclosures to evaluate how sustainability factors impact financial position and performance. Quantitative data enables precise assessment of financial implications and facilitates meaningful comparison across companies. While qualitative explanations provide valuable context, they simply cannot replace the numerical information that forms the foundation of valuation methodologies and investment decisions.

However, we recommend adopting this option with all ISSB relief mechanisms to achieve full interoperability.[10] This would include incorporating ISSB's skills and capabilities limitation provision, which would help companies during the implementation phase.

Furthermore, mandating Option 1 aligns with the global direction of sustainability reporting, as ISSB standards are now being implemented worldwide. Making quantitative disclosure optional would not only create gaps in the reporting landscape but would also hamper our ability to conduct consistent cross-border portfolio analysis.

We acknowledge the methodological challenges companies face when calculating these financial effects. However, reporting capabilities and methodologies will mature as ISSB and ESRS standards become more widely adopted. Rather than reducing requirements, we recommend that EFRAG references ISSB's educational guidance to support companies through this transition.[11]

For these reasons, we have reservations about Option 2, which would make quantitative disclosure permanently voluntary. If adopted, it would substantially diminish the transparency, comparability, and overall usefulness of sustainability reporting for investment decision-making.

2. Divergent new relief provisions

EFRAG has proposed several new[12] relief provisions that diverge from ISSB standards. These create interoperability challenges. When combined with the enhanced materiality filter introduced in the amended ESRS, these reliefs also increase the risk of material information gaps in sustainability reporting.

[10] IFRS S1 paragraph 38 and 39 provides three relief mechanisms: (1) when effects cannot be identified separately, (2) when measurement uncertainty is high, and (3) when the entity lacks the skills, capabilities or resources. EFRAG's Option 1 includes only the first two relief mechanisms, omitting the third.

[11] https://www.ifrs.org/content/dam/ifrs/supporting-implementation/issb-standards/disclosing-information-anticipated-financial-effects.pdf

[12] Amongst others, these include: **(i) Extension of "undue cost or effort" relief to all metrics, including metrics in its own operations:** This allows companies to omit certain disclosures if collecting or processing the required information would involve disproportionate cost or effort. EFRAG's proposal extends this relief to all metrics across the ESRS, including basic operational metrics, while ISSB limits this relief to specific applications (identification of climate-related risks and opportunities, determination of value chain scope, anticipated financial effects, and selection of Scope 3 measurement approaches). **(ii) Removal of preference for direct data:** This eliminates the hierarchy favoring primary data collection for value chain metrics, potentially reducing data quality particularly for Scope 3 emissions reporting. ISSB standards maintain a preference for direct measurement where feasible, as reflected in paragraphs B43 and B47 of IFRS S2. **(iii) Relief for acquisitions and disposals:** This allows companies to include/exclude subsidiaries from subsequent reporting periods rather than when transactions occur. This creates inconsistencies with the ISSB approach, where changes to organizational boundaries are typically reflected in the reporting period when they occur, maintaining alignment with financial reporting boundaries (IFRS S1 paragraph 20 and B38).

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For example, the extension of "undue cost or effort" relief to all metrics, even those for a company's own operations, is concerning. Companies can use this relief to omit important sustainability metrics. Similarly, the "relief for acquisitions and disposals" creates differences in reporting boundaries compared to financial statements, undermining the connectivity between sustainability and financial reporting.

What requires careful consideration is the lack of clarity on how these reliefs can be used or how they might interact with each other. This can potentially create a patchwork of inconsistent disclosures across companies and sectors. They further increase the complexity of the application of standards. We recommend aligning relief provisions with ISSB standards to ensure consistent application regardless of reporting framework. Furthermore, EFRAG should review which relief provisions should be transitional and which should be permanent, based on the final scope of Corporate Sustainability Reporting Directive (CSRD) and as sustainability reporting practices mature.

3. GHG organizational boundary

EFRAG proposes that under the amended ESRS, entities must use the financial control boundary as the default approach but must additionally report using the operational control method in specific circumstances where financial control "is not able to provide a fair presentation of the undertaking's overall emissions".[13] This creates a divergence from ISSB Standards.[14]

EFRAG's hybrid approach undermines comparability by: (i) creating inconsistent emissions profiles for identical operations when comparing companies reporting under ESRS versus those reporting under ISSB standards; (ii) requiring companies to maintain dual calculation methodologies which increases complexity, and (iii) allowing inconsistent implementation as companies make different judgments about when financial control fails to provide "fair presentation". We recommend EFRAG align with ISSB's approach on this point.

IV. Conclusion

As an overarching comment, we support EFRAG's commitment to simplifying the ESRS while preserving decision-useful information. The proposed revisions have made significant progress. However, we note that there are several divergences from global standards (particularly the ISSB) that could undermine interoperability. These include the proposal to make quantitative disclosures of anticipated financial effects permanently voluntary and the introduction of excessive flexibility through divergent relief provisions. Such changes create

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[13] EFRAG's Basis for Conclusions, paragraphs 84-85. Also see Draft Amended ESRS E1 Climate change, Application Requirements 19 and 20, which specify the proposed organizational boundary requirements for GHG emissions reporting.

[14] IFRS S2 paragraph 29(a)(ii) requires entities to measure greenhouse gas emissions according to the GHG Protocol Corporate Standard (2004), unless a local authority requires a different method. Within this framework, paragraph B27 allows entities to choose either the equity share or control approach (financial or operational) for their reporting boundary. Entities must disclose which measurement approach they've selected (paragraphs 29(a)(iii) and B26). This gives companies flexibility to select a single consistent boundary approach for their primary emissions reporting.

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risks that investors will not receive the consistent, decision-useful information needed for effective investment analysis.

The European Commission mandate clearly requires EFRAG to maximize interoperability with global standards. In this context, EFRAG’s threshold for creating further divergence should be high. We believe simplification and reporting burden reduction can be achieved through alternative approaches that maintain alignment with global standards such as the ISSB.

We appreciate EFRAG's consideration of our perspective and remain available for further discussion.

Yours sincerely

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