



NORGES BANK
INVESTMENT MANAGEMENT

PRI Association
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PRI Reporting Framework Review

We refer to the *reporting framework review – the consultation for investors*, published by the PRI on 6 March 2019. We appreciate the opportunity to contribute our perspective.

Norges Bank Investment Management (NBIM) is the investment management division of the Norwegian Central Bank and is responsible for investing the Norwegian Government Pension Fund Global (the fund). NBIM is a globally diversified investment manager with NOK 8,256 billion at 31 December 2018.¹ We are a long-term investor, working to safeguard and build financial wealth for future generations.

NBIM is a founding signatory to the PRI, and thereby supports the Six Principles for Responsible Investment. In line with these principles, we report on our responsible investment activities. We publish an Annual Report on Responsible Investment², which presents a detailed overview of our work and constitutes our reporting to our stakeholders about our work on responsible investment. We also report through the PRI Reporting Framework and use the output primarily to benchmark our responsible investment practices and performance against peers. We welcome the PRI's efforts to consult signatories and continuously improve its Reporting Framework. We responded to the online survey, providing comments on our experience with the PRI Reporting Framework specifically. Our responses do not reflect the benefits and learnings from our reporting on responsible investment in general, but only the ones from our reporting to the PRI Framework.

First, we would like to highlight a number of positive developments in the PRI Reporting Framework. We welcome in particular the efficient data and reporting portals, the simplification of the questionnaire and the relevant open-ended questions on climate

¹ As at end December 2018

² NBIM Responsible Investment Report 2018: <https://www.nbim.no/en/publications/reports/2018/responsible-investment-2018/>



change (which leave room for investor-specific reporting and further development of what is still a nascent field).

It is appropriate for investors to report on their ownership activities and seek to track results of their work over time. However, in the consultation survey, we note the PRI's interest in outcome-based reporting, whereby investors would report on 'real-world outcomes of investment activities, aligned with the Sustainable Development Goals (SDGs)'. As previously highlighted in our responses to consultations on the PRI Blueprint, we do not support outcome-based reporting under the PRI Reporting Framework.

As a long-term and global asset owner, we support the ambitions of the Sustainable Development Goals (SDGs). The achievement of the SDGs, in both developed and developing countries, could contribute to the long-term return of the fund through increased economic resilience. We have explored the role institutional investors may play in achieving these goals in an *Asset Manager Perspective*, published in January 2018³. We found that investors such as NBIM may be contributing to the SDGs by providing capital to companies and exercising ownership. We will continue to develop our understanding of the SDGs and how they relate to the fund's long-term return.

We have however reservations about outcome-based reporting on the SDGs. First, we acknowledge that the SDGs set a policy agenda for governments, and that the projects required to meet these goals do not always have investable characteristics. Furthermore, attributing the impact of companies to investors across strategies, asset classes and investor types is challenging. To attribute ownership of an outcome, an investor would ideally need to be able to demonstrate additionality, i.e. that any positive impact would not have happened without their investment. Establishing such a relationship is challenging, given that a minority investor has only a marginal influence on a company's funding cost and on its strategic direction, and is not involved in operational decisions. Investors' efforts may be several steps removed from real-world outcomes on sustainable development.

Moreover, measuring the impact of companies on the SDGs is challenging. Given the complex, inter-related and broad nature of the SDGs, there is a degree of normative judgement needed when classifying companies' activities as aligned or misaligned with these goals.

Finally, including outcome-based reporting in the PRI Reporting Framework is drifting away from the PRI's founding principles. The PRI's signatories are financial investors committed to incorporate Environmental, Social and Governance issues into their decision-making, while delivering on their investment mandate. Most investors' mandate is to maximise financial returns for their beneficiaries. Responsible investors who do not have in their mandate to achieve specific social or environmental goals, or to contribute to policy goals, should not be expected to report on such potential impact under the PRI Reporting Framework.

Therefore, we recommend that the PRI not include outcome-based reporting related to the SDGs in its Reporting Framework. If the PRI wishes to develop a framework for the reporting of impact of investment activities on the SDGs or other policy goals, it could do

³ NBIM, *Asset Manager Perspective* (January 2018) 'The SDGs and the Government Pension Fund Global'



so in a stand-alone framework for voluntary use by investors with mandates where this may be relevant. In our view, the PRI should keep this separate from its Reporting Framework reflecting the Six Principles for Responsible Investment.

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



Wilhelm Mohn
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