Securities and Exchange Board of India
C4-A, "G" block, Bandra Kurla Complex
Bandra (East), Mumbai - 400051

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Consultation paper on ESG disclosures, ratings and investing

Norges Bank Investment Management (NBIM) welcomes the opportunity to respond to the public consultation of the Securities and Exchange Board of India (SEBI) on ESG disclosures, ESG ratings and ESG investing. Our response focuses on the ESG disclosures section of the consultation paper.

Norges Bank Investment Management 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 12,429 billion Norwegian kroner at year end 2022. Of this total, 1,474 billion INR is invested in the shares of 416 Indian companies. We are a long-term investor, working to safeguard and build financial wealth for future generations.

As a long-term, global investor, we consider our returns to be dependent on sustainable development in economic, environmental and social terms. We therefore need information on companies' exposure to sustainability risks, how these are managed, and relevant performance metrics. We rely on both information related to the current performance of a company (i.e., how and where it creates value today) and information on drivers of value that may be predictive of its long-term performance. Sustainability information supports investment decisions, risk management processes and ownership activities. As a global investor, with holdings in companies in 70 different countries, we have a clear interest in this information being reported in a consistent and comparable manner across markets.

We welcome SEBI's consultation on ESG disclosures, aimed at enhancing the existing requirements under the Business Responsibility and Sustainability Report (BRSR) regime introduced in 2021. We support SEBI's goal to introduce assurance requirements for the reported information and to enhance disclosure of supply chain information. However, we call on SEBI to facilitate interoperability with international standards for sustainability reporting. While we acknowledge that SEBI's guidance on BRSR reporting allows entities to cross-reference the disclosures made under international reporting frameworks to the disclosures sought under the BRSR, we encourage SEBI to further consider how the KPIs suggested in the consultation framework for BRSR Core could be better aligned with international standards. As a global investor, we support the International Sustainability Standards

POSTAL ADDRESS
P.O. Boks 0179 Sentrum,
NO-0107 Oslo

OFFICE ADDRESS
Bankplassen 2,
Oslo, Norway

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

Registration of Business Enterprises
NO 937 884 117 MVA

Board’s mission to develop a comprehensive global baseline of corporate sustainability disclosures, which jurisdictions can enhance through a “building block” approach. We also encourage our portfolio companies to apply the GRI reporting framework for disclosures on their broader environmental and social outcomes. We suggest that the metrics and KPIs suggested in the BRSR Core are aligned with the forthcoming IFRS Sustainability Standards. This would facilitate comparability of disclosures used by global investors like NBIM, and in turn enhance the access of Indian companies to global capital markets.

We support SEBI’s intention to introduce assurance requirements for ESG disclosures. This will support the consistency, comparability and reliability of sustainability-related information provided to the market and thus enhance its quality. While we agree with SEBI’s ultimate goal of requiring reasonable assurance, consideration could be given to requiring limited assurance as a starting point, with reasonable assurance required over time. A gradual approach would allow for the progressive development of the assurance market for sustainability disclosures, and of entities’ reporting practices. Assurance providers should be subject to independence and quality management standards set by the relevant international standard setters, notably the General Requirements for Sustainability Assurance Engagements under development by the International Auditing and Assurance Standards Board (IAASB).

We also welcome the intention to enhance ESG disclosure requirements for entities’ supply chains, as this is often where material sustainability risks and opportunities lie. We understand that supply chain-related information would need to be disclosed by the top 250 entities already subject to the ESG disclosure requirements under the BRSR. We suggest SEBI consider the alternative approach of directly expanding the scope of the BRSR requirements rather than mandating indirect disclosure through the largest listed entities, as this latter approach could result in duplicative disclosures for supply-chain entities who have a relationship with multiple reporting entities. To illustrate, the forthcoming IFRS Climate-related Disclosure Standard S2 mandates disclosure of an entity’s scope 3 emissions, which requires emissions information from the entity’s value chain partners. Under SEBI rules, we understand that the reporting entity would need to disclose its supply chain partners’ scope 1 and 2 emissions information, and it is likely that some of the supply chain entities have relationships with multiple reporting listed entities, hence resulting in duplicative disclosure.

We thank you for considering our perspective and remain at your disposal should you wish to discuss these matters further.

Yours sincerely

Carine Smith Ihenacho
Chief Governance and Compliance Officer

Elisa Cencig
Senior ESG Policy Adviser

Questions for public comments - ESG disclosures section

- **Whether the attributes and KPIs specified in the BRSR Core are appropriate.**

We notice that some of the attributes and KPIs specified in the BRSR Core are new additions compared to the Annexure 1 to the 2021 BRSR Circular, so entities might not have experience with them under the current reporting rules. Mandating assurance for these newly added metrics, such as those relating to the Indian context, might be more challenging compared to the metrics that BRSR in-scope entities are already familiar with. Among the suggested metrics, we welcome the inclusion of those relating to Scope 1 and Scope 2 emissions, as these are core metrics to be disclosed under the forthcoming IFRS Climate-Related Disclosure Standard S2. We encourage SEBI to consider how the KPIs suggested for the BRSR Core could be better aligned with international standards, notably the forthcoming IFRS Sustainability Standards S1 and S2. This would facilitate comparability of disclosures used by global investors like NBIM, and in turn enhance the access of Indian companies to global capital markets. More broadly, while we agree with SEBI's ultimate goal of requiring reasonable assurance, consideration could be given to requiring limited assurance as a starting point, with reasonable assurance required over time. A gradual approach would allow for the progressive development of the assurance market for sustainability disclosures, and of entities' reporting practices.

- **Whether assurance should be obtained only on the attributes and KPIs proposed in the BRSR Core, or on the comprehensive BRSR.**

We believe that a gradual approach starting with requiring assurance for the BRSR Core is sensible, however we note that the suggested metrics could be better aligned with international standards, such as metrics under the forthcoming IFRS Sustainability Standards.

- **Whether the methodology proposed for assurance is appropriate.**

Assurance providers should be subject to independence and quality management standards set by the relevant international standard setters, notably the General Requirements for Sustainability Assurance Engagements (ISSA 5000) under development by the International Auditing and Assurance Standards Board (IAASB). We encourage SEBI to consider these international developments to inform its work on domestic assurance requirements for ESG disclosures.

- **Whether intensity ratios based on economic value adjusted for PPP, should be computed in addition to normal intensity ratios, for global comparability**.

We recognise the rationale behind this proposed requirement, however we do not find intensity ratios based on PPP-adjusted economic value particularly helpful in terms of global comparability of our portfolio companies.

- **Whether the timelines proposed at point 3.2.1 (f) above, are appropriate for implementation.**

We suggest SEBI to consider a similar approach to the one taken for the implementation of the 2021 BRSR regime for the phase-in of assurance requirements, i.e. introduce the requirement on a “comply or explain” basis for the first year of application.

- **Whether there is a need to introduce ESG disclosures for supply chain of listed entities.**

We welcome the intention to enhance ESG disclosure requirements for entities’ supply chains, as this is often where material sustainability risks and opportunities lie. We understand that supply chain-related information would need to be disclosed by the top 250 entities (in terms of market capitalisation) already subject to the ESG disclosure requirements under the BRSR. We suggest SEBI consider the alternative approach of directly expanding the scope of the BRSR regime rather than mandating indirect disclosure through the largest listed entities, as this latter approach could be challenging to implement and could result in duplicative disclosures for supply-chain entities with relationships with multiple in-scope entities. To illustrate, the forthcoming IFRS Climate-related Disclosure Standard S2 mandates disclosure of an entity’s Scope 3 emissions. This requires emissions information from the entity’s value chain partners, and the International Sustainability Standards Board recently adopted a temporary exemption from this requirement to recognise the challenges that entities often face in collecting this information. Under SEBI rules, the reporting entity would need to disclose its supply chain partners’ Scope 1 and 2 emissions information. This approach could lead to duplicative reporting, as each listed entity would need to disclose the relevant metrics for its supply chain partners, and it is likely that some of the latter have supplier relationships with multiple in-scope reporting entities.

- **If so, should such disclosures be made as per the BRSR Core or comprehensive BRSR.**

Supply chain disclosures could be made as per the BRSR Core as a starting point. The comprehensive BRSR includes leadership indicators which reporting entities might struggle to disclose when it comes to their supply chain partners, e.g. details of internal policies on human rights due diligence, or significant environmental and biodiversity impacts. Additionally, some of the BRSR leadership indicators (e.g. percentage of value chain partners that were assessed for environmental impacts, or awareness programmes conducted for value chain partners) would further expand the scope of information to be covered to the value chains of the reporting entities’ supply chain partners, which could create additional challenges.

- **Whether assurance of disclosures of supply chain should be specified.**

N/A

- **Whether timeline as proposed at point 3.2.2 (c) above, for implementation of ESG disclosures and assurance for supply chain is appropriate.**

N/A