



NORGES BANK
INVESTMENT MANAGEMENT

International Sustainability Standards Board
The IFRS Foundation
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IFRS S2 Climate-related Disclosures Exposure Draft

We refer to the Exposure Draft published by the International Sustainability Standards Board (ISSB): *IFRS S2 Climate-related Disclosures* and welcome the opportunity to contribute our perspective.

Norges Bank Investment Management (NBIM) is a division of the Norwegian Central Bank, responsible for investing the Government Pension Fund Global. NBIM is a globally diversified investment manager with assets valued at 12,3 trillion NOK¹ (approximately 1.2 trillion USD). We are a long-term investor, working to safeguard and build financial wealth for future generations.

NBIM is a global investor, with holdings in companies in 71 different countries, therefore we need corporate sustainability information to be reported in a consistent and comparable manner across markets. That is why we have supported the establishment of the ISSB and its mission to develop a comprehensive global baseline of corporate sustainability disclosures, as we expressed in responses to previous public consultations.

When it comes to climate-related disclosures, we ask companies to report on their exposure to climate-related risks and opportunities, how these are managed, and relevant performance metrics.² We expect companies to disclose a strategy and implementation plan to address these risks, and to report on progress towards such plans. This information helps inform our investment decisions by providing a more complete picture of enterprise value, our risk management processes and our ownership activities. It is also used in scenario analyses and calculation of our portfolio's carbon footprint.

We welcome the ISSB's Exposure Draft on climate-related disclosures, which we believe will lead to more consistent, comparable, and reliable climate-related reporting from companies, and thereby help investors get a better picture of companies' value.

We welcome in particular:

¹ As of December 31, 2021

² NBIM, Expectation Document on Climate Change,
<https://www.nbim.no/contentassets/f8f36fc4a55c4cf2920a039084cf4f3d/climate-change-expectations.pdf>



1. **The focus on financially-material sustainability information.** We support the ISSB's decision to focus on information that is relevant for investors when they assess enterprise value. This captures all information that can result in changes to the entity's enterprise value in the short, medium and long-term; including from the entity's actions that result in impacts and dependencies on people, planet and the economy.

The standards developed by the ISSB could become the global reference standards for reporting financially-material sustainability information. Other institutions that have developed standards for sustainability reporting with a broader scope could refer to the IFRS Sustainability Standards as a core, and only seek to add further topic-, region- or viewpoint-specific requirements ('building blocks' approach). This would help reduce the reporting burden for companies and ensure the comparability of disclosures. We welcome the ISSB's efforts towards the inter-operability of standards.

2. **The recommendations of the Taskforce for Climate-related Financial Disclosures (TCFD).** We welcome the ISSB's decision to build on the TCFD recommendations, which provide a logical and widely recognised framework for reporting financially relevant climate information. We support the reporting requirements proposed by the ISSB on governance, strategy, risk management, and metrics and targets. As per the TCFD recommendations, NBIM expect companies to assess the sensitivity and resilience of their long-term profitability to different transition and physical climate scenarios, including a well below 2 degrees Celsius scenario.
3. **The use of the Sustainability Accounting Standards Board (SASB) industry metrics.** We welcome the approach proposed by the ISSB in the exposure draft, with seven cross-industry metrics, as well as industry-based requirements derived from the SASB standards. NBIM has encouraged companies to report according to the SASB standards to account for financially material risks and opportunities. We find that the industry-based approach of the SASB standards, and their specific metrics, meet the needs of investors and help companies approach sustainability issues in a strategic manner.
4. **The reporting requirements on transition plans.** The reporting requirements proposed by the ISSB will help investors understand how a company is positioning itself in the low-carbon transition, how it is planning to manage risks and opportunities, including its significant environmental and social impacts, and how it is delivering on its transition plan. In our response to the survey, we propose some additional elements that could be included in this section, such as disclosing interim milestones and actionable steps the company is taking to meet its targets.
5. **The increased transparency on the use of offsets.** We welcome the reporting requirements in the Exposure Draft on the use of offsets. To assess a company's climate plan, it is useful for investors to know to what extent the company is relying on offsets, as well as the company's view on any risks related to the reliance of offsets or tools that are not yet commercially deployed at scale. Other things equal, reducing actual emissions before relying significantly on carbon offsets seems a prudent approach, however, we recognise that some offsets and carbon capture will be necessary to reach net zero in 2050, for certain hard to abate activities.



We provided further detail in our responses to the ISSB's online survey. We remain at your disposal should you wish to discuss these matters further.

Yours faithfully,

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