

IFRS Trustees
The IFRS Foundation
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The IFRS Foundation consultation on sustainability reporting

We refer to the IFRS Foundation's *Consultation Paper on Sustainability Reporting*, and we welcome the opportunity to contribute our perspective.

Norges Bank Investment Management (NBIM) is a division of the Norwegian Central Bank, responsible for investing the Norwegian Government Pension Fund Global with the objective of ensuring a high long-term return. NBIM is a globally diversified investment manager with assets valued at NOK 10,088 billion (USD 1.149 trillion) as of December 31, 2019.

The need for a globally accepted standard

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.

Existing sustainability reporting frameworks support an improved understanding of companies and their sustainability performance. However, the high number of frameworks and their voluntary nature sets them apart from the well-established and mandatory financial reporting frameworks. The lack of standardisation can pose challenges for investors seeking to integrate sustainability information into their decision-making.

As a global investor, with holdings in companies in 71 different countries, we have a clear interest in this information being reported in a consistent and comparable manner across markets. We believe a consolidation of standards is necessary. A good first step would be to agree on a set of industry-specific standards for financially material sustainability disclosures.

The IFRS Foundation could be well-placed

We welcome the proposal by the IFRS Foundation to set up a Sustainability Standards Board (SSB) and develop global reporting standards for sustainability topics. The IFRS Foundation would bring recognition and credibility to any new standards due to its governance structure and rigorous standard-setting process.

It could, as the governing body of the International Accounting Standards Board (IASB), also ensure both clearer delineation with, and where necessary, tighter integration into, financial accounting standards.



We agree with the requirements for success listed in the consultation paper. In addition, we believe that the development of such standards is time-sensitive and may need to be done at a faster pace than financial accounting standards have been developed in the past.

Starting with financial materiality

Over time, we believe that a coherent set of reporting standards responding to the needs of both investors and other stakeholders is required. The core building block in this should be a set of industry-specific standards for financially material information, with investors as the primary audience. We believe it is such standards that an SSB could develop, mirroring the IASB's focus on serving investors.

The interests of a broader set of stakeholders may be better catered for by other institutions. Measuring and reporting social and environmental impacts is in many cases a normative exercise and can therefore be even more challenging to standardise at a global level than matters of financial relevance. The rapidly evolving nature of many environmental and social issues also requires flexibility and room for development that codification in fixed and mandatory reporting standards would not allow for.

As other institutions develop standards for broader sustainability reporting, they could refer to the SSB standards as a core, and only seek to add further topic-, region- or viewpoint-specific requirements. The SSB would need to account for such interoperability in their work.

Climate first, but not at the expense of other topics

Over time, we believe the SSB standards should cover all financially relevant environmental and social topics. We recognise that climate change is among the most financially material sustainability topics for many companies, and also the one which is most standardised for reporting. It may therefore serve as a good starting point. However, standards for other environmental or social topics should not be unduly postponed. A long lead time carries the risk that other reporting frameworks are adopted in the meantime, leading to a continued fragmentation of the standards landscape.

Build on existing standards

Developing standards for a broad range of topics, and at a fast pace, will require a good start. The IFRS Foundation could consider adopting or integrating parts of existing sustainability standards, such as those of the Sustainability Accounting Standards Board (SASB), following a review of their development processes.

To conclude, we support the high-level ambition and direction set out in the consultation paper. We appreciate your willingness to consider our perspective, and we remain at your disposal should you wish to discuss these matters further.

Yours faithfully,

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