

## Consultation on UK endorsement of IFRS S1 & IFRS S2

We refer to the UK Sustainability Disclosure Technical Advisory committee call for evidence on the endorsement of IFRS S1 and S2, published in July 2023. We welcome the opportunity to contribute an investor's perspective on the IFRS requirements and their endorsement for use in the United Kingdom.

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. NBIM is a globally diversified investment manager with 12,429 billion Norwegian kroner at year end 2022, 51,7 billion of which invested in the shares of UK companies.

The long-term return of the fund depends on sustainable economic, environmental and social development, as well as well-functioning and efficient markets. We need consistent, comparable and reliable information from companies on social or environmental issues which are financially material to their business. We rely on information related to the current performance of a company, as well as information on drivers of value that may be predictive of its long-term performance. This information helps inform our investment decisions, our risk management processes and our ownership activities. As a global investor with holdings in 70 different countries we have a clear interest in information being reported in a consistent and comparable manner across markets worldwide. We therefore support the International Sustainability Standards Board (ISSB) and its mission to deliver a global baseline of disclosure standards that provide decision-useful information to investors.

We have welcomed the mandatory TCFD reporting requirements for large UK companies, but we strongly encourage the UK to endorse the IFRS Disclosure Standards in view of their higher granularity and inclusion of sustainability information beyond climate. We believe that the requirements in IFRS S1 and S2 will considerably improve upon existing reporting from UK companies and are technically feasible to implement. We therefore welcome the UK Government's intention to align as closely as possible with the ISSB standards, and highlight the importance of a faithful adoption of the global baseline. Any deviation from global standards should be minimised and provided on a temporary basis. As close alignment as possible with the global standards ensures consistency and comparability.

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We support the IFRS Standards' requirements to consider SASB Standards for the identification of sustainability-related risks and opportunities and related metrics. Industry-specific disclosures are particularly decision-useful for investors given sustainability topics vary by industry, and investors often conduct their investment analysis based on companies and portfolios by industry and sector. The UK has a high level of voluntary adoption of the SASB Standards, and we were pleased to see the Financial Reporting Council encouraging their use in its November 2020 statement on non-financial reporting.

We support the ISSB's decision to focus on information that is relevant for investors and other providers of capital through a financial materiality lens. We recognise that the application of the concept of financial materiality is likely to be challenging for preparers, and have therefore called on the ISSB to provide dedicated guidance. In relation to the timing of reporting, we support the intention to require sustainability disclosures at the same time as general purpose financial reports, as this will help ensure a joined-up narrative from reporting entities, and integrated analysis from investors. The information required is also designed to be provided alongside financial statements and connected with financial information. The clear identification and visibility of sustainability disclosures prepared in accordance with the ISSB standards is key to facilitate its use by investors and its comparison across portfolio companies. For investors to use this information in a reliable manner, it is similarly important that sustainability disclosures are subject to similar oversight and governance processes as financials, with a final sign-off from the company's board.

Regarding the question of benefits in relations to cost, we acknowledge that this is of importance to preparers. We do not estimate implementation costs, however we believe that the benefits outweigh the costs and that reporting in accordance to ISSB standards will help companies communicate to their investors how they assess and manage material sustainability-related risks and opportunities. The ISSB standards are the best tool for corporates to communicate risks and opportunities worldwide in the most cost-effective manner. We as an investor use this information in our stewardship work, in our investment decisions and in risk management.

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

Yours sincerely,



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