

International Sustainability Standards Board
The IFRS Foundation
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Methodology for Enhancing the International Applicability of the SASB Standards and SASB Standards Taxonomy Updates

We refer to the International Sustainability Standards Board's consultation on its proposed methodology for enhancing the international applicability of the SASB Standards, published on 11 May 2023. We appreciate the opportunity to contribute our perspective.

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. 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 over time to be dependent on sustainable development in economic, environmental and social terms. 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. We therefore have strongly supported the important work of the International Sustainability Standards Board in developing a global baseline for sustainability reporting standards.

NBIM welcomes the objective of the International Sustainability Standards Board to enhance the international applicability of SASB Standards, to ensure that entities can apply the SASB metrics irrespective of the jurisdiction they operate in. This is particularly important given the role that SASB Standards play in the architecture of IFRS S1, which requires preparers to consider them both (a) to identify relevant sustainability risks and opportunities and (b) to identify what information to disclose. The SASB internationalisation project will be particularly beneficial to support non-US based entities in this second stage of development of their sustainability disclosures development, i.e. the identification of the information to be disclosed.

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Given the finalised nature of the IFRS S1 and S2 standards, we concur with the ISSB's considerations about the objective and constraints of this project, namely enhancing the international applicability of SASB Standards without substantially changing their structure or intent. These constraints are necessary to ensure a swift implementation of the project, and thereby allow entities to use SASB Standards as a source of guidance, particularly if they start adopting IFRS S1 on a voluntary basis ahead of jurisdictional adoption. We agree with the proposed methodology in the exposure draft, particularly the suggested prioritisation of Revision Approach 1, which relies on the identification of internationally applicable references. Regarding Revision Approach 2, which entails the provision of generalised references, NBIM considers that guidance would be helpful to minimise implementation challenges. We believe that Revision Approach 3, while potentially offering the advantage of higher certainty to preparers, would not achieve the objective of cross-jurisdictional comparability; in other terms, its use would enhance the international usability of SASB but not the comparability of disclosures. Lower reliance on this approach might therefore be warranted, although we do appreciate the requirement for entities to disclose the applicable jurisdictional laws or regulations used in order to provide clarity for users. On Revision Approach 5, which entails the ISSB developing a new metric to replace the original jurisdiction-specific metric, we suggest that the Board considers other reporting frameworks and standards to enhance interoperability whenever appropriate, notably the European Sustainability Reporting Standards and the Global Reporting Initiative.

Regarding future steps, the ISSB should conduct a more comprehensive review to ensure that the SASB Standards are fully internationally applicable and consistent with both the logic and architecture of the recently finalised IFRS S1 and S2. Updates could for example be made to the SASB standards to ensure that their structure is consistent with the description of sustainability-related risks and opportunities provided by the ISSB, as well as their four-pillar architecture. IFRS Sustainability Standards should ultimately include industry-specific requirements alongside general requirements and topical standards, as has been case for the climate standard IFRS S2. The strategy and timing for formally elevating the status of the SASB standards from guidance to binding component of the IFRS Standards should also be clarified.

We appreciate your willingness to consider our perspective, and we remain at your disposal should you wish to discuss these matters further.

Yours sincerely



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Questions for respondents

Question 1 – Methodology objective

This Exposure Draft described the proposed methodology to amend non-climate-related SASB Standards metrics to enhance their international applicability when they contain a jurisdiction-specific reference.

- (a) Are the scope of the intended enhancements and the objective of the proposed methodology stated clearly in paragraph 9? If not, why not?
- (b) Are the constraints of the objective as listed in paragraph 8 (preserving structure and intent, decision-usefulness and cost-effectiveness) appropriate? Why or why not?
- (c) Should any other objective(s) or constraint(s) be included in the proposed methodology? If so, what alternative or additional objective(s) or constraint(s) would you suggest? How would these add value to the proposed methodology?

Questions 1(a) and (b)

NBIM finds that the scope of the intended enhancements (non-climate-related SASB metrics that rely on jurisdiction-specific references) and the objective of the proposed methodology (make the SASB standards applicable in any jurisdiction) are clearly stated in paragraphs 8-9 of the Exposure Draft. Similarly, we are of the view that the suggested constraints (preserving structure and intent, decision-usefulness and cost-effectiveness) of the approach are adequate. These constraints reflect the ambition to proceed with such revisions in a timely manner, and thus enable entities to use SASB metrics as a primary source of guidance when applying IFRS S1. While there are merits in considering a broader revision of SASB standards on a longer term basis, we agree that the proposal not to substantially change the structure or intent of the SASB standards would be the right approach to achieve a swift internationalisation of SASB metrics, and therefore make them usable to all entities applying IFRS S1 irrespective of their jurisdiction.

Question 2 – Overall methodology

This Exposure Draft explains the proposed methodology to amend the SASB Standards metrics to enhance their international applicability when they contain jurisdiction-specific references.

- (d) Do you agree that the proposed methodology would enhance the international applicability of the SASB Standards metrics? If not, what alternative approach do you suggest and why?

We agree that the proposed methodology would enhance the international applicability of the SASB standards and defines pragmatic approaches for a swift revision of the SASB metrics. In the application of the proposed methodology, we suggest that particular emphasis is

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placed on the cross-jurisdictional comparability of the disclosures. This could imply a lower reliance on Revision Approach 3, which involves use of jurisdictional references.

Question 3 – Revision approaches

This Exposure Draft explains five revision approaches to enhance the international applicability of non-climate-related SASB Standards metrics. Every disclosure topic, metric and technical protocol amended using the methodology will apply these five revision approaches, either individually or in combination. The methodology begins with Revision Approach 1, which uses internationally recognised frameworks and guidance to define relevant terms of reference.

- (e) Do you agree that replacing jurisdiction-specific references with internationally recognised frameworks and guidance – if identified – should be the first course of action? If not, why not?
- (f) If Revision Approach 1 is not feasible, do you agree that using the remaining four revision approaches would enhance the international applicability of the SASB Standards? Why or why not?
- (g) Could the revised metrics resulting from any specific revision approaches or combination of approaches pose problems for the preparers applying them? Why or why not?
- (h) Do you agree with the criteria for determining which of the proposed revision approaches applies in different circumstances? Why or why not? What changes to the criteria would you recommend and why?

Question 3(a)

We agree that Revision Approach 1 (replacing jurisdiction-specific references with equivalent internationally recognised references) should be the preferred course of action, as it would maximise the international comparability of the relevant disclosure. Internationally recognised metrics would have the highest chances to result in cross-jurisdictional comparability. In their adoption, the ISSB could consider the jurisdictional adoption or ratification status of such international references, as a low level of adoption across jurisdictions could potentially undermine the usefulness of an otherwise well-recognised international reference.

Question 3(b)

If Revision Approach 1 is not feasible, we agree that using the remaining four approaches would enhance the international applicability of the SASB standards. However, we note that Revision Approach 2 (providing a general definition), while potentially enhancing international comparability, could lead to some confusion among companies, therefore we suggest that examples of metrics in specific jurisdictional contexts are provided as guidance for preparers. On the other hand, Revision Approach 3 (referring to applicable jurisdictional requirements) could lead to better international usability of SASB metrics but not better international

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comparability, as it would only result in intra-jurisdictional comparability. Therefore, as highlighted in our response to Question 2(a), lower reliance could be warranted on this approach, and Revision Approach 4 or 5 might be more appropriate in some instances. For Revision Approaches 2 and 4, ISSB could consider the international references and metrics used in the Global Reporting Initiative and European Sustainability Reporting Standards to aid interoperability. Overall, we believe that the preferred ordering of approaches 2-5 might depend on the specific features of the relevant metric.

Question 3(c)

As noted above, Revision Approach 2 might result into some confusion should preparers apply a generally applicable definition in different ways. This might hinder the international comparability of disclosures, and potentially raise costs for preparers. However, this assessment is likely to depend on the context and features of the specific metric under consideration. Provided that a jurisdictional reference can be identified in any jurisdiction, Revision Approach 3 would probably be less problematic for preparers, who should be familiar with the jurisdictional references used in their countries of operation; however there might be instances where no jurisdictional reference can be identified, which should be addressed by ISSB guidance.

Question 3(d)

Subject to our comments above, we agree with the criteria for determining which of the revision approaches to apply in different circumstances.

Question 4 – SASB Standards Taxonomy Update objective

This Exposure Draft describes the proposed approach to updating the SASB Standards Taxonomy to reflect amendments to the SASB Standards.

- (a) Do you agree with the proposed methodology to update the SASB Standards Taxonomy to reflect changes to the SASB Standards? Why or why not? If you do not agree, what alternative approach would you recommend and why?

We agree with the proposed methodology to update the SASB Standards Taxonomy to reflect amendments to the SASB standards. We also encourage ISSB to work with EFRAG, which is also developing a sector specific taxonomy, to maximise interoperability of the respective standards.

Question 5 – Future SASB Standards refinements

This Exposure Draft focuses specifically on the first phase of narrow-scope work to amend the SASB Standards metrics in accordance with the proposed methodology to enhance their international applicability when they contain jurisdiction-specific references. In subsequent

phases, the ISSB will consider further enhancements to the SASB Standards to improve their decision-usefulness, balance their cost-effectiveness for preparers and ensure their international relevance.

- (a) What other methods, considerations or specific amendments would be useful to guide the ISSB's future work of refining the SASB Standards to support the application of IFRS S1? Why would they be useful?
- (b) Do you have any specific comments or suggestions for the ISSB to consider in planning future enhancements to the SASB Standards?

Once this narrow-scope project is completed, it would be helpful for the ISSB to conduct a more comprehensive review to ensure that the SASB Standards are fully internationally applicable and consistent with both the logic and architecture of the recently finalised IFRS S1 and S2. This work will hinge on the development of additional IFRS sustainability standards beyond S1 and S2, and largely depend on the approach taken to the latter. Updates could for example be made to the SASB standards to ensure that their structure is consistent with the description of sustainability-related risks and opportunities provided by the ISSB, and clarify where the SASB disclosure requirements will fit within the structure of IFRS S1 and S2. Currently, SASB standards contain a mix of requirements which can broadly be categorised as pertaining to the ISSB's strategy pillar (the narrative disclosures required by the "Discussion and Analysis" elements), and a number of metrics which would sit under the ISSB's metrics and targets pillar ("Quantitative" requirements). Conversely, SASB standards traditionally have not had a focus on providing information on either governance or risk management, the remaining two pillars in the ISSB (and TCFD) architecture. More broadly, the ISSB should consider the SASB update in the context of the overall development and structure of the IFRS Sustainability Standards, which should include industry-specific requirements alongside general requirements and topical standards, as has been case for the climate standard IFRS S2. The strategy and timing for formally elevating the status of the SASB standards from guidance to binding component of the IFRS Standards should also be clarified.

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