

Proposed International Standard on Sustainability Assurance 5000

We refer to the consultation on the Exposure Draft of the Proposed International Standard on Sustainability Assurance 5000, setting out general requirements for sustainability assurance engagements (ISSA 5000), by the International Auditing and Assurance Standards Board (IAASB). We appreciate the opportunity to contribute our investor view to the proposed standard.

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 (the fund). 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 welcome the progress being made in sustainability reporting frameworks and standards towards enhancing consistency and comparability, notably thanks to the work of the International Sustainability Standards Board.

A growing number of corporates are obtaining external assurance on their sustainability reports, and several jurisdictions have already adopted or are considering a requirement for mandatory assurance. Reliability and credibility of information provided in companies' sustainability reports are crucial for us. As an investor, we currently rely on our portfolio companies' internal governance processes to enhance the reliability of sustainability reporting. While recognising that it is still not common market practice in most jurisdictions, we believe that assurance of sustainability reporting has a key role to play in improving this reliability over time. We have recently strengthened our climate change expectations of portfolio companies, and now expect them to seek reasonable assurance of their Scope 1 and Scope 2 emissions at a minimum.

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NBIM therefore welcomes the IAASB's objective to establish a global standard for sustainability assurance engagements, which can play a key role in enhancing the quality of the information provided to markets and used by investors and other stakeholders. Similarly, we welcome the work of the International Ethics Standards Board for Accountants (IESBA) to develop an ethics framework for sustainability reporting and assurance, which includes independence standards.

We concur with the IAASB's intention to develop a standard that can be applied for all sustainability topics and aspects thereof, all mechanisms for reporting of sustainability information, and for information prepared in accordance with all sustainability reporting frameworks and standards. We equally believe that the standard should be applied for all intended users (whether preparers, investors or other stakeholders), both limited and reasonable assurance engagements, and by all assurance practitioners whether professional accountant or not (profession agnosticism). The principle-based nature of the standard and its flexibility in application to all the above listed situations are important to drive consistency of assurance engagements, and ultimately drive higher user confidence in sustainability information. Should any of the listed criteria above necessitate further, more detailed consideration, we believe that this can be tackled by the future set of standards that the IAASB envisages developing over time to sit under the overarching ISSA 5000.

Quality management and ethical requirements are in the public interest and play an important role in boosting users' confidence in the outcomes of assurance engagements. We agree with the proposed requirements in the ED 5000 that assurance practitioners are subject to the IESBA International Code of Ethics for Professional Accountants (IESBA Code) and that their firms are subject to International Standard on Quality Management 1, or to requirements that are "at least as demanding". Sustainability assurance engagements are currently being carried out by both professional accountants and non-accountant assurance practitioners, who are subject to different requirements. While we do not necessarily believe that sustainability assurance engagements need to be carried out by the auditor of the financial statements (or another professional accountant), it is important that the engagements are carried out to high quality standards and free from conflict of interest. We believe this provision can support this aim.

We welcome the IAASB's consideration of the topic of fraud in ED 5000, and concur with other stakeholders that the relative lack of maturity of sustainability reporting compared to financial reporting may increase the susceptibility of sustainability information to misstatements due to fraud. The forward-looking nature of parts of sustainability information creates inevitable uncertainties, including on estimates, which can increase the risk of misstatement with no intention to mislead. However, this heightened complexity and uncertainty can also create opportunities for intentional misleading and fraud. Internal processes and control systems may also be less mature than for historical financial information. Therefore, we welcome the proposed standard's focus on professional scepticism, and the requirements to discuss the susceptibility of the disclosures to material misstatement, as well as to respond appropriately to any identified actual or suspected fraud. We encourage the IAASB to integrate its consideration of the importance of professional

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scepticism in sustainability assurance engagements with the wider work it has been conducting on auditors' responsibility to consider fraud in financial statement audits, and to similarly continue to work with other relevant bodies to address this issue in a cross-cutting and consistent manner.

We consider the clarity and transparency of the assurance practitioner's report to be key. As a user of sustainability information, it is not always immediately clear to us the quality and level of assurance provided, the scope of the engagement, and the type of provider. The suggestion to put the practitioner's conclusion first, followed by the basis for that conclusion, could be helpful in that respect.

Finally, sustainability reporting covers a broad range of complex topics, with data often based on estimates, use of forward-looking information, and evolving methodologies. As the demand for assurance of sustainability reports grows, capacity building among assurance providers will be crucial. We agree with the ED 5000 proposal that the engagement leader must determine that sufficient and appropriate resources are assigned to perform the engagement.

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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